

Finances of the State Government

Profile of Gujarat

Gujarat is situated on the west coast of India, bound by the Arabian Sea in the west, the States of Rajasthan in the north, Madhya Pradesh in the east and Maharashtra in the south. The State also shares an international border with Pakistan on the north western fringe. It has a coast line of about 1,600 kilometres, which is one third of India’s mainland coastline. It is the seventh largest State in terms of geographical area (1,96,024 sq.km) and the ninth largest by population. As indicated in **Appendix 1.1** the State’s population increased from 5.07 crore in 2001 to 6.04 crore in 2011 (Provisional figure) recording a decadal growth of 19.13 *per cent*. The percentage of population below the poverty line was 16.63 *per cent* as compared to the all-India average of 21.92 *per cent*. The State’s Gross State Domestic Product (GSDP) in 2012-13 at current prices was ₹ 6,97,298¹ crore. The State’s literacy rate increased from 69.14 *per cent* (as per 2001 census) to 79.31 *per cent* (as per 2011 census). General data relating to the State is as given in **Appendix 1.1**.

Gross State Domestic Product (GSDP)

GSDP is the market value of all officially recognised final goods and services produced within the State in a given period of time. The growth of GSDP of the State is an important indicator of the State’s economy as it indicates the standard of living of the State’s population. The trends in the annual growth of the State’s GSDP as compared to India’s GDP at current prices are indicated below:

Table 1.1: Trends- Annual growth of State’s GSDP as compared to India’s GDP

	2008-09	2009-10	2010-11	2011-12	2012-13
India’s GDP (₹ in crore) (Base year 2004-05)	53,03,567	61,08,903	72,66,967	83,53,495	94,61,013
Growth rate of GDP (percentage)	15.75	15.18	18.96	14.95	13.26
State’s GSDP (₹ in crore)	3,67,912	4,31,262(P)	5,30,430(P)	6,11,767(Q)	6,97,298(A)
Growth rate of GSDP (percentage)	11.73	17.22	22.99	15.33	13.98

Estimates: (P) = Provisional, (Q) = Quick and (A) = Advance

(Source: Ministry of Statistics and Programme Implementation, Central Statistical Organisation, Directorate of Economic and Statistics, Gandhinagar)

1.1 Introduction

This chapter provides a broad perspective on the finances of the Government of Gujarat during the current year and analyses critical changes in the major fiscal aggregates relative to the previous year, keeping in view the overall trends during the last five years. The structure of Government Accounts and

¹ Advance estimates by Directorate of Economic and Statistics, Gandhinagar

the layout of the Finance Accounts are shown in **Appendix 1.1 Part B and Part C**. The methodology adopted for the assessment of the fiscal position of the State is given in **Appendix 1.2**.

1.1.1 Summary of Fiscal Transactions in 2012-13

Table 1.2 presents the summary of the State Government's fiscal transactions during the current year (2012-13) *vis-à-vis* the previous year while **Appendix 1.3** provides details of receipts and disbursements as well as the overall fiscal position during the current year.

Table 1.2: Summary of Fiscal transactions

(₹ in crore)

Receipts			Disbursements				
	2011-12	2012-13		2011-12	2012-13		
					Non- Plan	Plan	Total
Section-A: Revenue							
Revenue receipts	62,958.99	75,228.53	Revenue expenditure	59,744.46	47,145.69	22,512.80	69,658.49[#]
Tax revenue	44,252.29	53,896.69	General services	21,480.52	23,167.93	960.34	24,128.27
Non-tax revenue	5,276.52	6,016.99	Social services	24,545.79	16,230.47	13,298.50	29,528.97
Share of Union taxes/ duties	7,780.31	8,869.05	Economic services	13,518.37	7,585.01	8,253.96	15,838.97
Grants from Government of India	5,649.87	6,445.80	Grants-in-aid and Contributions	199.78	162.28	-	162.28
Section-B: Capital							
Misc. Capital receipts	10.00	0.00	Capital Outlay	13,811.70	75.49	21,151.03	21,226.52
Recoveries of Loans and Advances	165.44	46.90	Loans and Advances disbursed	605.34	586.68	295.57	882.25
Public Debt receipts*	17,534.76	19,497.19	Repayment of Public Debt*	5,275.19	-	-	6,536.52
Contingency Fund	0.66	80.50	Contingency Fund	80.50	-	-	0.00
Public Account receipts	79,653.14	50,046.35	Public Account disbursements	77,160.79	-	-	46,537.61
Opening Cash Balance	14,986.80	18,631.81	Closing Cash Balance	18,631.81	-	-	18,689.89
Total	1,75,309.79	1,63,531.28		1,75,309.79	47,807.86	43,959.40	1,63,531.28

(Source: Finance Accounts for the respective years)

* Excluding net transactions under ways and means advances and overdrafts

Rounded off to ₹ 69,659 crore and used in the subsequent paragraphs in the Report (after rounding off Non-plan and Plan revenue expenditure as ₹ 47,146 crore and ₹ 22,513 crore, respectively).

The following are the significant changes during 2012-13 over the previous year:

- Revenue receipts grew by ₹ 12,270 crore (19.49 per cent) over the previous year. The increase was mainly due to increase in the State's own tax revenue of ₹ 9,644 crore (21.79 per cent), increase in State's share of Union taxes/ duties of ₹ 1,089 crore (13.99 per cent), increase in grants from the Government of India (GoI) of ₹ 796 crore (14.09 per cent) and the increase in non-tax revenue of ₹ 740 crore (14.03 per cent). Except state's own tax revenue which grew at almost 22 per cent, the growth of other components was around 14 per cent.

- Revenue expenditure increased by ₹ 9,915 crore (16.59 *per cent*) over the previous year mainly due to increase in expenditure on Social Services by ₹ 4,983 crore (20.30 *per cent*), on Economic Services by ₹ 2,320 crore (17.17 *per cent*) and on General Services by ₹ 2,648 crore (12.33 *per cent*).
- Capital expenditure increased by ₹ 7,415 crore (53.69 *per cent*) over the previous year whereas the disbursement of loans and advances increased by ₹ 277 crore (45.74 *per cent*).
- Receipts under Public Debt increased by ₹ 1,962 crore (11.19 *per cent*) against an increase of ₹ 1,261 crore (23.91 *per cent*) in payments. The net availability of public debt receipt of ₹ 12,961 crore during 2012-13 was 5.72 *per cent* more than that of previous year ₹ 12,260 crore.

1.1.2 Review of fiscal situation

As per the Gujarat Fiscal Responsibility Act, 2005 (GFRA 2005) enacted in line with the recommendations of the Twelfth Finance Commission (TwFC), the State Government had agreed for elimination of revenue deficit by the end of 2007-08 and reduction of fiscal deficit to not more than three *per cent* of the GSDP by 31 March 2009. Similarly, the target of the ratio of Public Debt to GSDP was 30 *per cent* by March 2008. Total outstanding guarantees were to be capped within the limit provided in the Gujarat State Guarantee Act, 1963. Though the State had achieved the above targets by 2006-07, the fiscal deficit targets for 2009-10 and 2010-11 were relaxed by one *per cent* and 0.5 *per cent* of GSDP respectively by GoI.

To maintain a stable and sustainable fiscal environment consistent with equitable growth, the Thirteenth Finance Commission (ThFC) has recommended a fiscal consolidation roadmap for the State by amending their Fiscal Responsibility Legislations. This requires the State to reduce the revenue deficit to zero 2011-12 onwards, reduce the fiscal deficit to three *per cent* of the estimated GSDP of the year beginning 2011-12 and maintain it thereafter and to cap the total outstanding debt of the State Government from the level of 28.8 *per cent* in 2011-12 to 27.1 *per cent* at the end of 2014-15 of the estimated GSDP for the respective financial year. The State Legislature in March 2011 amended the Fiscal Responsibility Act after the recommendations of the ThFC.

Major fiscal variables provided in the budget based on recommendations of the ThFC and as targeted in the GFRA Act of the State, the projections made in the Medium Term Fiscal Policy Statement (MTFPS) - 2013 are depicted in **Table 1.3**.

Table 1.3: Major Fiscal variables

Fiscal variables	2012-13				Achievement
	ThFC targets for the State	Targets as prescribed in GFR Act	Targets proposed in the Budget	Projections made in MTFPS	
Revenue Deficit (-)/ Surplus (+) (₹ in crore)	0	0	+ 3,615	+3,615	+ 5,570
Fiscal Deficit/GSDP (in per cent)	3.0	3.0	2.63	2.63	2.37
Ratio of total outstanding debt of the Government to GSDP (in per cent)	28.10	-	-	-	23.90

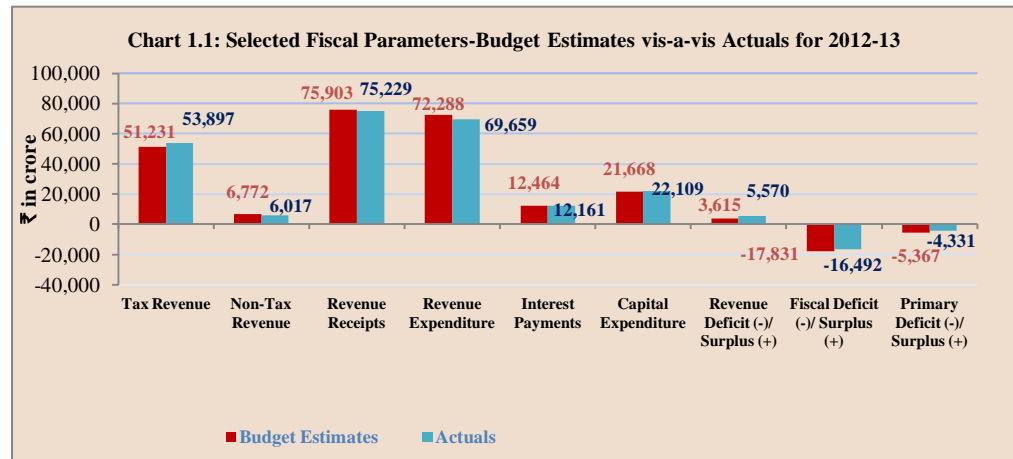
The State achieved the target of reduction of revenue deficit to zero in 2011-12, as the State achieved a revenue surplus of ₹ 3,215 crore. The revenue surplus stood at ₹ 5,570 crore in 2012-13 against the projection in MTFPS of ₹ 3,615 crore. At the end of 2012-13, the fiscal deficit as percentage to GSDP was 2.37, which was within the limit of three per cent. In the Fiscal Consolidation Roadmap, ThFC fixed the target of 28.10 per cent for the 'Total Outstanding Debt' as percentage of GSDP. However, the State Government fixed the target for 'Total Public Debt' instead of 'Total Outstanding Debt' as percentage of GSDP in GFRA 2005, Budget and in MTFPS. This was not in consonance with the recommendations of ThFC. In any case, the State's total outstanding debt as percentage of GSDP was 23.90 per cent in 2012-13 which was within the target of 28.10 per cent fixed by the ThFC.

The expenditure on Grants-in-aid and subsidies should be booked under revenue expenditure in accounts. However, during 2012-13, the Government of Gujarat wrongly budgeted and booked expenditure of ₹ 881.30 crore on account of Grants-in-aid and expenditure of ₹ 207.27 crore on account of subsidy under the capital section instead of revenue section. This has resulted in understatement of revenue expenditure and overstatement of revenue surplus to the tune of ₹ 1,088.57 crore.

1.1.3 Budget Estimates and Actuals

Budget estimates presented by the State Government provide a description of the projections or estimations of revenue and expenditure for a particular fiscal year. The importance of accuracy in the estimation of revenue and expenditure is widely accepted in the context of effective implementation of fiscal policies for overall economic management. Deviations from the budget estimates are indicative of the fact that due care has not been taken while their estimation. Further, it also indicates non-attainment and non-optimisation of the desired fiscal objectives due to a variety of causes, some within the control of the Government and some beyond the control of the Government.

Chart 1.1 Presents the budget estimates and actuals of some important fiscal parameters.



During 2012-13, compared to the budget estimates, the tax revenue increased by ₹ 2,666 crore (5.20 per cent) and non-tax revenue decreased by ₹ 755 crore (11.15 per cent). Further, the revenue receipts decreased over the budget estimates by ₹ 674 crore (0.89 per cent). Against an estimated revenue surplus of ₹ 3,615 crore, the financial year ended with a revenue surplus of ₹ 5,570 crore.

The revenue expenditure reflected decrease of ₹ 2,629 crore (3.64 per cent) over the budget estimates while capital expenditure against budget estimates was increased by ₹ 441 crore (2.04 per cent). The decrease in revenue expenditure over budget estimates resulted in improvement in budgeted revenue surplus. The decrease in the fiscal deficit over budget estimates led to decrease in primary deficit.

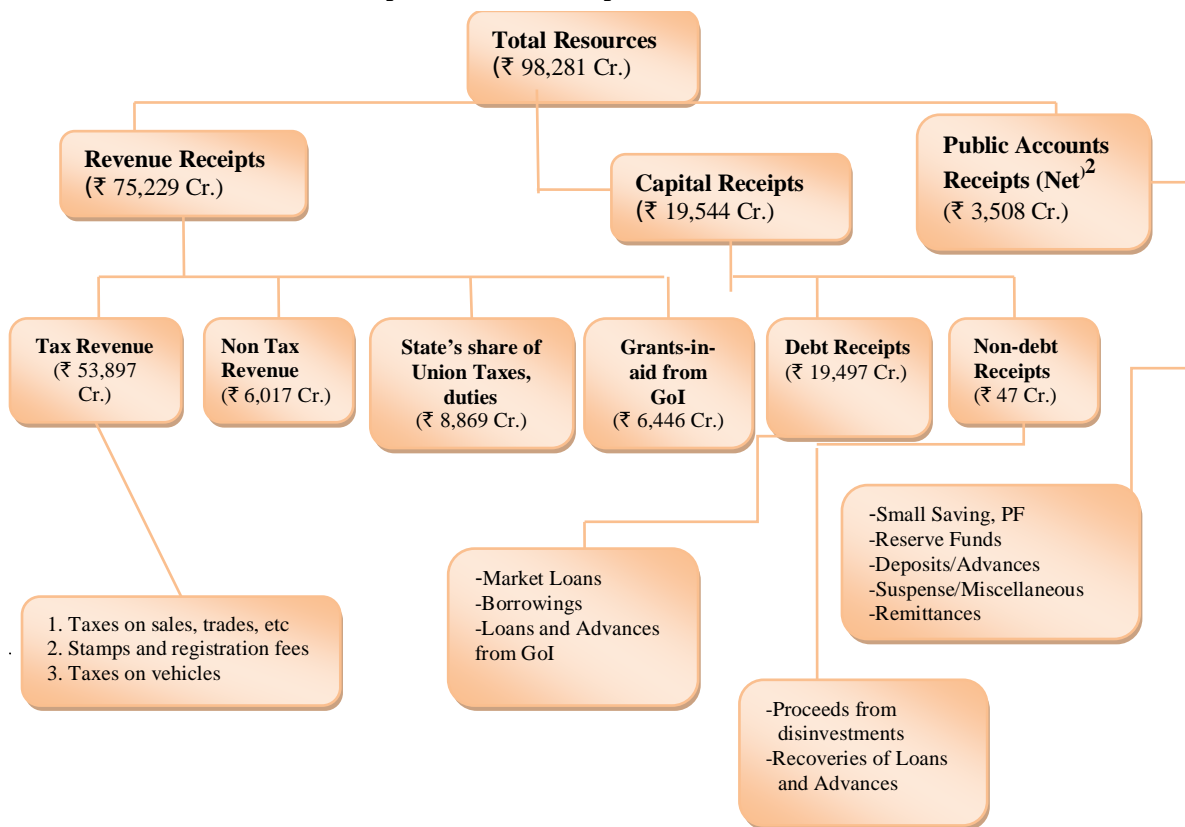
The Budget speech did not mention any major proposals for increasing the State's revenue receipts and reducing the revenue expenditure. On the contrary, concessions were given in VAT, Stamp duty and registration fee and electricity duty totalling about ₹ 410 crore.

1.2 Resources of the State

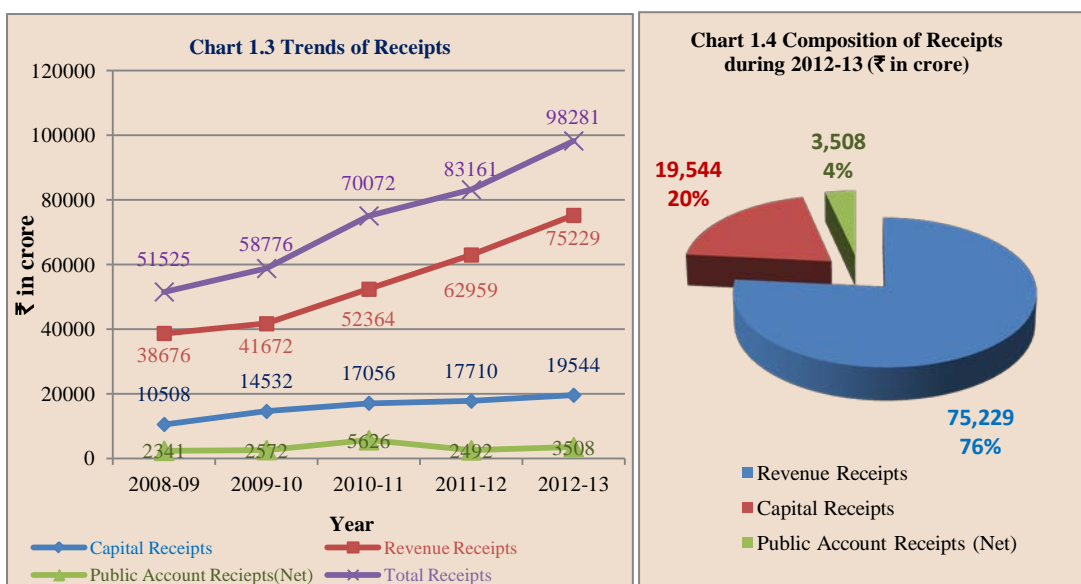
1.2.1 Resources of the State as per Annual Finance Accounts

Revenue and capital are the two streams of receipts that constitute the resources of the State Government. Revenue receipts consist of tax revenues, non-tax revenues, State's share of Union taxes and duties and grants-in-aid from the Government of India. Capital receipts comprise miscellaneous capital receipts such as proceeds from disinvestment, recoveries of loans and advances, debt receipts from internal sources (market loans, borrowings from financial institutions/commercial banks) and loans and advances from GoI as well as accruals from the Public Account. **Table 1.2** presents the receipts and disbursements of the State during the current year as recorded in its Annual Finance Accounts. The flow **Chart 1.2** depicts the components and sub-components of resources during the year 2012-13.

Chart 1.2: Components and sub-components of resources in 2012-13



While **Chart 1.3** depicts the trends of various components of the State's receipts during 2008-09 to 2012-13, the **Chart 1.4** depicts the composition of resources of the State during the current year 2012-13.



The total resources of the State Government increased steadily from ₹ 51,525 crore in 2008-09 to ₹ 98,281 crore in 2012-13. The increase in total

² Public Account Receipts (Gross) is ₹ 50,046 crore.

resources during the period of 2008-09 to 2012-13 was 90.74 per cent. The relative share of Revenue receipts which stood at 75.06 per cent of the total resources in 2008-09 increased to 76.54 per cent in 2012-13, while that of Capital receipts and Public Account receipts to total resources, declined from 20.39 per cent and 4.54 per cent in 2008-09 to 19.89 per cent and 3.57 per cent in 2012-13 respectively. During the period, the State's tax revenue increased by 128.79 per cent from ₹ 23,557 crore in 2008-09 to ₹ 53,897 crore in 2012-13. The percentage of tax receipts to revenue receipts increased significantly from 60.91 per cent in 2008-09 to 71.64 per cent in 2012-13.

1.2.2 Funds transferred by the Central Government to State Implementing Agencies outside the State Budget

The Central Government has been transferring a sizeable quantum of funds directly to the State Implementing Agencies³ for the implementation of various schemes/programmes in social and economic sectors. As these funds are not routed through the State Budget/State Treasury System, the Annual Finance Accounts do not capture these fund flows and to that extent, the State's receipts and expenditure as well as other fiscal variables/parameters derived from them are not representing the whole picture. During 2012-13, ₹ 4,819.64 crore was transferred to the State Implementing Agencies which was 9.72 per cent more than that of the previous year. The funds directly transferred to State Implementing Agencies are presented in **Table 1.4**.

Table 1.4: Funds transferred directly to State Implementing Agencies

(₹ in crore)

Sr. No.	Programme/Scheme	Implementing Agency in the State	2010-11	2011-12	2012-13
1	Sarva Shiksha Abhiyan	Gujarat Council of Primary Education	440.65	880.28	1,139.18
2	Accelerated Rural Water Supply Scheme	Gujarat Water Supply and Sewerage Board	609.10	571.05	717.47
3	National Rural Health Mission	State Health Society Gujarat	388.04	550.92	455.39
4	Integrated Watershed Management Program	DRDAs	224.75	198.06	348.05
5	Mahatma Gandhi National Rural Employment Guarantee Scheme	DRDAs	889.65	324.29	342.59
6	Rural Housing (Indira Awas Yojana)	DRDAs	527.81	380.53	206.49
7	Micro Irrigation	Gujarat Green Revolution Company Limited	120.00	166.64	182.00
8	MPs Local Area Development Scheme	District Collectors	78.00	103.50	144.50
9	Pradhan Mantri Gram Sadak Yojana	Gujarat State Rural Roads Development Agency	160.02	66.59	125.74
10	National Horticulture Mission	Gujarat Horticulture Mission	54.97	92.98	100.25
11	Others	NGOs and other institutions (each receiving less than ₹ 100 crore)	1,182.40	1,058.00	1,057.98
	Total		4,450.64	4,392.84	4,819.64

Source: Central Plan Scheme Monitoring System (CPSMS) of the Controller General of Accounts (CGA).

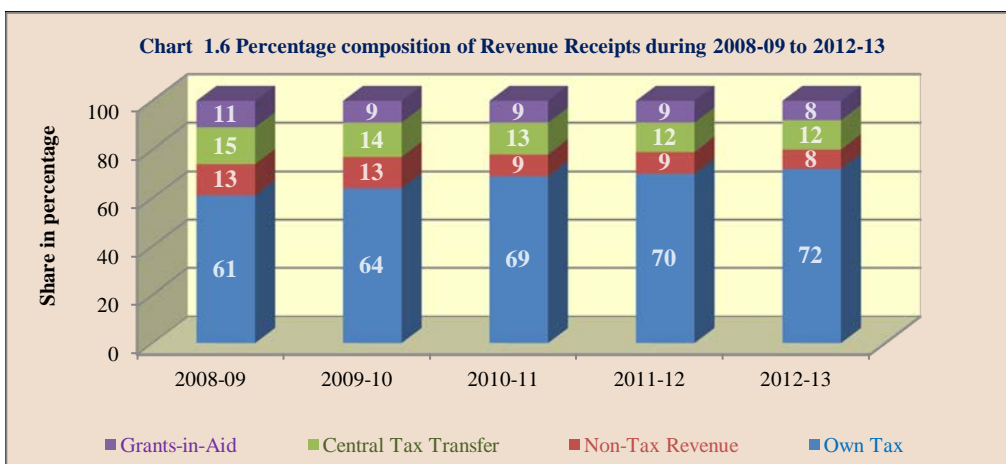
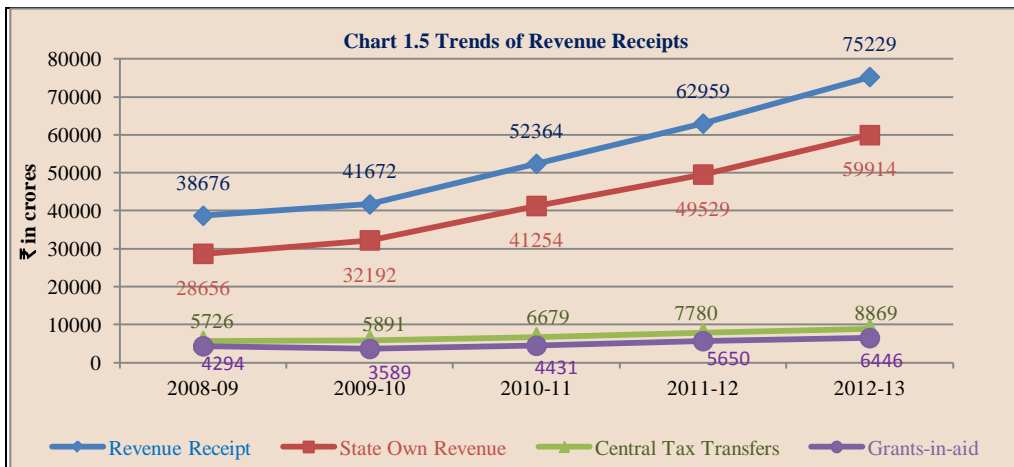
³ See glossary

During 2012-13, direct transfers from the Union Government to Sarva Shiksha Abhiyan constituted 23.64 per cent of the total transfers. Other major programmes/schemes which received funds directly from the Union Government were Accelerated Rural Water Supply Scheme (14.89 per cent), National Rural Health Mission (9.45 per cent), Integrated Watershed Management Program (7.22 per cent) and Mahatma Gandhi National Rural Employment Guarantee Scheme (7.11 per cent).

Direct transfer of funds from the Union Government to the State Implementing Agencies carry the risk of insufficient control on the part of Union as well as State Government and consequential improper utilisation of funds by these agencies. Unless uniform accounting practices are followed by all these agencies with proper documentation and timely reporting of expenditure to the State/ Union Government, it will be difficult to monitor the end use of these direct transfers.

1.3 Revenue Receipts

Statement-11 of the Finance Accounts details the revenue receipts of the Government. The revenue receipts consist of the State’s own tax and non-tax revenues, Central tax transfers and grants-in-aid from GoI. The trends and composition of revenue receipts over the period 2008-09 to 2012-13 are presented in the **Charts 1.5** and **1.6** below and also depicted in **Appendix 1.4**.



The revenue receipts during the year 2012-13 grew by 19.49 *per cent* over the previous year, due to 20.97 *per cent* increase in State's own revenue, 14.09 *per cent* increase in grants-in-aid and 13.99 *per cent* increase in central tax transfers.

The revenue receipts of the State increased steadily from ₹ 38,676 crore in 2008-09 to ₹ 75,229 crore in 2012-13 with significant improvement in the share of State's own tax revenue while share of non-tax revenue declined from 13 *per cent* in 2008-09 to eight *per cent* in 2012-13.

Buoyancy ratio indicates the elasticity or degree of responsiveness of a fiscal variable with respect to a given change in the base variable. As the GSDP grows, the ability of the State's own tax revenue should increase. The trends of revenue receipts relative to GSDP are presented in **Table 1.5** below:

Table 1.5: Trends of Revenue Receipts relative to GSDP

	2008-09	2009-10	2010-11	2011-12	2012-13
Revenue Receipts (RR) (₹in crore)	38,676	41,672	52,364	62,959	75,229
Rate of growth of RR (<i>per cent</i>)	8.37	7.75	25.66	20.23	19.49
R R/GSDP (<i>per cent</i>)	10.51	9.66	9.87	10.29	10.79
Buoyancy Ratios					
Revenue Buoyancy w.r.t. GSDP ⁴	0.71	0.45	1.12	1.32	1.39
State's Own Tax Buoyancy w.r.t. GSDP.	0.65	0.78	1.56	1.42	1.56
Revenue Buoyancy with reference to State's own taxes	1.10	0.57	0.71	0.93	0.89

Source: Finance Account of Gujarat State 2012-13

The GSDP at current prices was estimated to increase from ₹ 6,11,767 crore in 2011-12 to ₹ 6,97,298 crore in 2012-13, representing an increase of 13.98 *per cent*. The growth rate of revenue receipts declined from a high of 25.66 *per cent* in 2010-11 to 20.23 *per cent* in 2011-12 and further declined to 19.49 *per cent* during the year 2012-13 mainly due to sharp decline in growth rate of own tax revenue in 2011-12 from 36 *per cent* in 2010-11 to 22 *per cent* in 2011-12 and stagnation in 2012-13. Revenue Buoyancy during this period with reference to the growth rate of GSDP showed increasing trend except during 2009-10. During current year the revenue buoyancy improved over previous year mainly on account of higher growth of State's own taxes.

1.3.1 State's Own Resources

As the State's share in Central taxes and grants-in-aid is determined on the basis of recommendations of the Finance Commission, collection of Central tax receipts, Central assistance for Plan schemes etc., the State's performance in mobilisation of additional resources should be assessed in terms of its own resources comprising revenue from its own tax and non-tax sources. The gross collection in respect of major taxes and duties as well as the components of non-tax receipts, the expenditure incurred on their collection and the percentage of such expenditure to the gross collection during the years from 2008-09 to 2012-13 along with the respective all-India average are presented in **Appendix 1.5**.

⁴ Figures differ from last year's report due to change in GSDP figures of 2009-10 to 2011-12

The States actual tax and non-tax receipts for the year 2012-13 *vis-à-vis* assessment made by ThFC and MTFPS (February 2013) are given in the **Table 1.6** below:

Table 1.6: Projections and actual of tax and non-tax revenues

(₹ in crore)

	ThFC projections	Budget estimates	MTFPS projection	Actual
Tax revenue	47,359	51,231	52,549	53,897
Non tax revenue	6,204	6,772	5,369	6,017

Source: Finance Account of Gujarat State 2012-13 and Budget Publication No. 30 of GoG.

Actual tax revenue was more than ThFC projections (13.80 *per cent*), MTFPS projections (2.56 *per cent*) and Budget estimates (5.20 *per cent*). Actual non-tax revenue was more than MTFPS projections (12.07 *per cent*) and less than ThFC projections (3.01 *per cent*) and Budget estimates (11.14 *per cent*). Thus, wide variations were observed between the actual tax revenue and the projections made in ThFC and also between the actual non-tax revenue and the projections made in MTFPS and Budget estimates.

1.3.1.1 Tax revenue

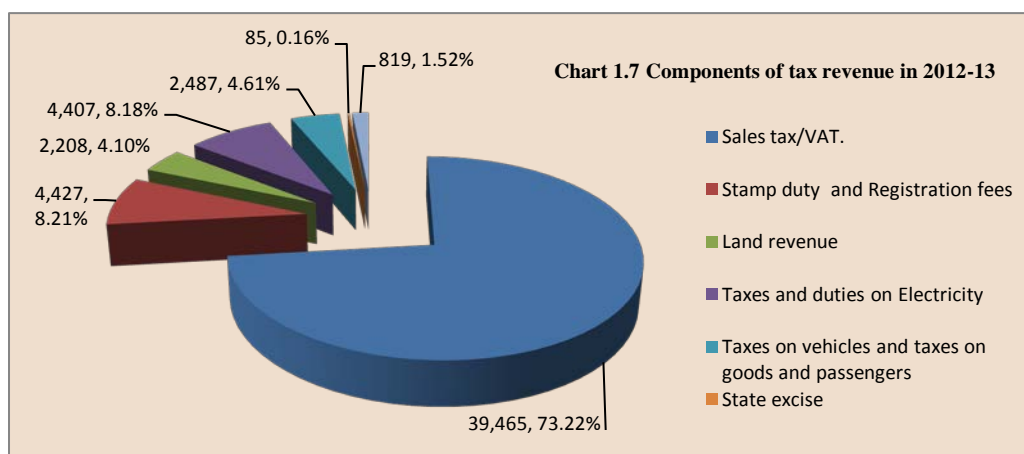
The main components of tax revenue raised in the State during 2008-09 to 2012-13 are given in **Table 1.7**.

Table 1.7: Main components of State's tax revenue

(₹ in crore)

Revenue Head	2008-09	2009-10	2010-11	2011-12	2012-13	Percentage increase over previous year
Sales tax/VAT.	16,810.65	18,199.79	24,893.45	31,202.31	39,464.67	26.48
Stamp duty and Registration fees	1,728.50	2,556.72	3,666.24	4,670.27	4,426.93	-5.21
Land revenue	543.50	1,161.20	1,788.78	1,477.18	2,207.85	49.46
Taxes and duties on Electricity	2,369.91	2,643.65	3,262.64	3,654.56	4,406.60	20.58
Taxes on vehicles and taxes on goods and passengers	1,551.01	1,549.55	2,010.07	2,459.37	2,486.84	1.12
State excise	48.71	65.94	62.97	72.11	84.91	17.75
Other taxes	504.75	563.38	654.48	716.49	818.89	14.29
Total	23,557.03	26,740.23	36,338.63	44,252.29	53,896.69	21.79

Source: Finance Account of Gujarat State 2012-13



The State's own tax revenue increased by 21.79 *per cent* during 2012-13 over the previous year. Except Stamp duty and Registration fees, all the components of own tax revenue grew during 2012-13. The most important contributor to the State's own resources has been VAT. It has registered a growth of 26.48 *per cent* over previous year.

Taxes and duties on electricity showed an increase of ₹ 752 crore during the year and was 20.58 *per cent* more than previous year. Stamp duty and registration fees decreased by ₹ 243 crore registering decrease of 5.21 *per cent* during 2012-13 from the previous year due to decline in the receipt of court fee and other receipts.

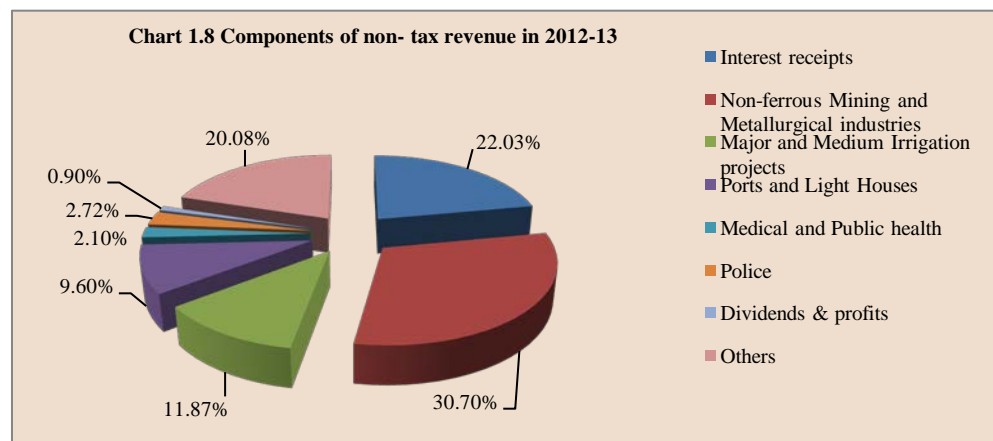
1.3.1.2 Non-tax Revenue

The main components of non- tax revenue raised in the State during 2008-09 to 2012-13 are given in **Table 1.8**.

Table 1.8: Main components of State's non-tax revenue

Revenue Head	2008-09	2009-10	2010-11	2011-12	2012-13	Percentage increase over previous years
Interest receipts	567.81	419.44	403.89	631.89	1,325.84	109.82
Non-ferrous Mining and Metallurgical industries	1,559.82	2,138.98	2,019.31	1,819.64	1,847.16	1.51
Major and Medium Irrigation projects	455.77	504.61	618.14	684.15	714.13	4.38
Ports and Light Houses	434.73	344.41	361.23	453.51	577.68	27.38
Medical and Public health	126.50	62.40	118.11	90.76	126.34	39.20
Police	77.44	101.45	149.08	138.97	163.84	17.90
Dividends & profits	49.40	76.72	114.43	128.93	54.31	-57.88
Others	1,827.85	1,803.70	1,130.83	1,328.67	1,207.69	-9.11
Total	5,099.32	5,451.71	4,915.02	5,276.52	6,016.99	14.03

Source: Finance Accounts for the respective years



The non-tax revenue of the State during 2012-13 increased by ₹ 740 crore (14.03 *per cent*) over previous year mainly on account of higher growth of interest receipts. The interest receipts grew at significant 110 *per cent* over previous year mainly due to increase of interest income of ₹ 753 crore as against ₹ 434 crore in year 2011-12 on surplus cash balance invested with RBI. The major contributor of non-tax revenue i.e. the receipts from Non-

Ferrous Mining and Metallurgical Industries increased merely by 1.51 *per cent* in 2012-13 over the previous year.

The dividends and profits decreased by 58 *per cent* during 2012-13 over previous year. The State Government had not yet formulated any dividend policy regarding payment of minimum return by the PSUs on paid up share capital contributed by the State Government.

As pointed out earlier in the **Chart 1.6** the share of non-tax revenue in revenue receipt continuously decreased from 13 *per cent* in 2008-09 to eight *per cent* in 2012-13. The State Government needs to review the reasons for the drop in non-tax revenue.

1.3.2 Grants-in-aid from Government of India

The components of grants in aid received from the Government of India (GoI) during 2008-09 to 2012-13 are given in **Table 1.9**.

Table 1.9: Main components of grants-in-aid from GoI

(₹ in crore)					
Particulars	2008-09	2009-10	2010-11	2011-12	2012-13
Non-Plan Grants	1,338.31	837.39	1,063.60	1,467.13	1,230.30
Grants for State Plan Schemes	2,070.82	1,801.22	2,029.25	2,227.79	3,466.74
Grants for Central Plan Schemes	68.74	55.98	94.46	70.71	83.41
Grants for Centrally Sponsored Schemes	815.63	894.91	1,243.24	1,884.23	1,665.35
Total	4,293.50	3,589.50	4,430.55	5,649.86	6,445.80
Percentage of increase over previous year	13.93	-16.40	23.43	27.52	14.09
Total grants as a percentage of Revenue Receipts	11.10	8.61	8.46	8.97	8.57

Source: Finance accounts of Government of Gujarat

The grants-in-aid from GoI increased from ₹ 4,294 crore in 2008-09 to ₹ 6,446 crore in 2012-13 (50.13 *per cent*) mainly on account of increase in grants for State Plan Schemes (67.41 *per cent*) and Centrally Sponsored Schemes (104.18 *per cent*).

The increase of 14.09 *per cent* in grants-in-aid from GoI in 2012-13 over previous year was mainly due to increase in grants for State Plan Schemes (55.61 *per cent*) and grants for Central Plan Schemes (17.96 *per cent*).

1.3.3 Debt waiver under the debt consolidation and relief facilities

The TwFC had framed a scheme of debt relief of central loans named the Debt Consolidation and Relief Facilities (DCRF) based on the fiscal performance of the State linked to the reduction of deficits in the States. The GoI recovered (March 2012) the debt waiver of ₹ 471.87 crore granted to the State Government for the year 2009-10 on the ground of breach of DCRF conditionality by the State related to achieving the ratio of fiscal deficit to GSDP. On account of this, the liability of the State increased to that extent.

1.3.4 Central Tax transfers

The ThFC had recommended the States' share of Central taxes to be increased to 32 *per cent* from 30.50 *per cent* as recommended by TwFC. It awarded 3.041 *per cent* of shareable taxes excluding service tax and 3.089 *per cent* of

shareable service tax to Gujarat in its award period (2010-11 to 2014-15). The central tax transfer stood at ₹ 8,869 crore in 2012-13 registering a growth of 14 *per cent* over the previous year (₹ 7,780 crore).

1.3.5 Optimisation of the ThFC grants

The recommendations of ThFC for the award period 2010-15 include release of grants-in-aid to the State Governments. Consequently, the Gujarat State had to receive various grants in conformity with the recommendations of the ThFC.

As per the ThFC award, the State was entitled to receive ₹ 2,115.81 crore as grants from GoI during 2012-13. The category wise amounts allocated and the amounts received there against are given in **Table 1.10** below:

Table 1.10: Details of amounts awarded and received

Sl no	Transfers	Recommendation of the FC	Actual release	Difference
1.	Local Bodies	802.34	344.60	457.74
	Grants to PRIs	294.42	147.22	147.20
	General performance grants to PRIs	202.06	0.00	202.06
	Grants to ULBs	164.28	172.60	(-)8.32
	General performance grants to ULBs	112.74	17.58	95.16
	Scheduled Area Grant	14.42	7.20	7.22
	Scheduled Area Performance Grant	14.42	0.00	14.42
2	Disaster Relief	421.19	421.19	0.0
3	Improving outcome grants	85.80	20.56	65.24
4	Environment related grants	79.48	20.48	59.00
5	Elementary education	98.00	98.00	0.0
6	Roads and bridges	304.00	304.00	0.0
7	State specific grants	325.00	217.07	107.93
	Total	2,115.81	1,425.90	689.91

Source: Finance Department of Government of Gujarat

As per the ThFC award, during 2012-13 the State was entitled to receive ₹ 2,115.81 crore as grants-in-aid from GoI against which it had received ₹ 1,425.90 crore only (67.39 *per cent* of the award).

State specific needs

The State was entitled to receive ₹ 325 crore as grant from GoI during 2012-13 under the category of state specific needs. The amounts allocated and the amounts received there against are given in **Table 1.11**.

Table 1.11: Details of amounts awarded and received

(₹ in crore)

Sr. No.	Specific need	Amount awarded	Amount received	Difference
1	Ingress of Salinity	37.50	42.07	(-)4.57
2	Coastal Erosion	37.50	0.00	37.50
3	Ground Water Recharge	50.00	0.00	50.00
4	Police Training	53.75	53.75	0.00
5	Tribal Area Development	50.00	50.00	0.00
6	Public Health	59.25	59.25	0.00
7	Construction of Border Roads	25.00	0.00	25.00
8	Gir Lion Project	12.00	12.00	0.00
	Total	325.00	217.07	(-) 107.93

Source: Finance Department, Government of Gujarat

Out of eight projects/schemes, in two schemes pertaining to Narmada, Water Resources, Water Supply and Kalpsar department, one scheme pertaining to Road and Buildings Department the State Government did not receive ₹ 112.50 crore in 2012-13.

1.4 Capital Receipts

Trends in growth and composition of receipts of the State are given in the **Table 1.12**.

Table 1.12: Details of Capital Receipts

(₹ in crore)

Sources of State's Receipts	2008-09	2009-10	2010-11	2011-12	2012-13
Capital Receipts (CR)	10,508	14,532	17,056	17,710	19,544
Miscellaneous Capital Receipts	21	136	91	10	0
Recovery of Loans and Advances	181	151	283	165	47
Public Debt Receipts	10,306	14,245	16,681	17,535	19,497
Rate of growth of debt capital receipts	19.68	38.21	17.10	5.11	11.19
Rate of growth of non-debt capital receipts	-34.62	42.08	30.31	-53.21	-73.14
Rate of growth of GSDP	11.73	17.22	22.99	15.33	13.98
Rate of growth of CR (<i>per cent</i>)	17.80	38.29	17.34	3.83	10.36

Source: Finance accounts of Government of Gujarat

The capital receipts of the State increased continuously from ₹ 10,508 crore in 2008-09 to ₹ 19,544 crore in 2012-13. As public debt receipts form almost 98-99 *per cent* of capital receipts, the growth rate of capital receipts of state reflected a similar trend as debt capital receipts. During the period 2008-09 to 2012-13, the growth rate of debt capital receipts was higher than the State's GSDP growth rate in first two years but remained low in last three years. The trends in the total Public Debt Receipts are given in **Table 1.13**.

Table 1.13: Public Debt Receipts

(₹ in crore)

	2008-09	2009-10	2010-11	2011-12	2012-13
Market Borrowings	8,534	9,000	11,500	16,500	15,546
NSSF (National Small Saving Fund)	671	4,168	4,136	67	1,659
Loans from Other Financial Institutions	874	991	886	780	1,700
Total Internal Debt	10,079	14,159	16,522	17,347	18,905
Loans and Advances from GoI	227	86	159	188	592
Total Public Debt Receipts	10,306	14,245	16,681	17,535	19,497

Source: Finance accounts of Government of Gujarat

The total receipt of Debt from internal sources increased continuously (88 per cent) from 2008-09 to 2012-13. Despite decrease of 5.78 per cent in Market Borrowings there was increase of 8.98 per cent in Debt receipts from internal sources in 2012-13 over previous year mainly due to increase in NSSF loans and loans from financial institutions.

The total public debt receipts also increased continuously (89 per cent) from 2008-09 to 2012-13. Against increase of 8.98 per cent in Debt receipts from Internal Sources in 2012-13 over previous year, there was increase of 11.19 per cent in Public Debt Receipts. This was due to increase in Loans and Advances from the Government of India.

1.5 Public Accounts Receipts

Receipts and disbursements in respect of certain transactions such as small savings, provident funds, reserve funds, deposits, suspense, remittances etc. which do not form part of the Consolidated Fund, are kept in the Public Account set up under Article 266(2) of the Constitution and are not subject to vote by the State legislature. Here the Government acts as a banker. The balance after disbursements is the fund available with the Government for use. The resources under various heads of Public Account Receipts are given in **Table 1.14**.

Table: 1.14: Public Accounts Receipts

	(₹ in crore)				
Resources under various heads	2008-09	2009-10	2010-11	2011-12	2012-13
Public Account Receipts					
a. Small Savings, Provident Fund etc.	1,132	1,901	1,743	1,794	1,930
b. Reserve Funds	842	957	1,136	990	768
c. Deposits and Advances	14,082	18,033	23,906	25,969	31,463
d. Suspense and Miscellaneous	23,327	28,985	36,220	39,799	772*
e. Remittances	10,243	8,784	9,276	11,101	15,113
Total	49,626	58,660	72,281	79,653	50,046

Source: Finance accounts of Government of Gujarat

It can be seen that the receipts from Deposits and Advances are steadily increasing. The receipts from Remittances are also increasing steadily from 2009-10 onwards.

1.6 Application of Resources

Analysis of the allocation of expenditure at the State Government level assumes significance since major expenditure responsibilities are entrusted with them. Within the framework of fiscal responsibility legislations, there are

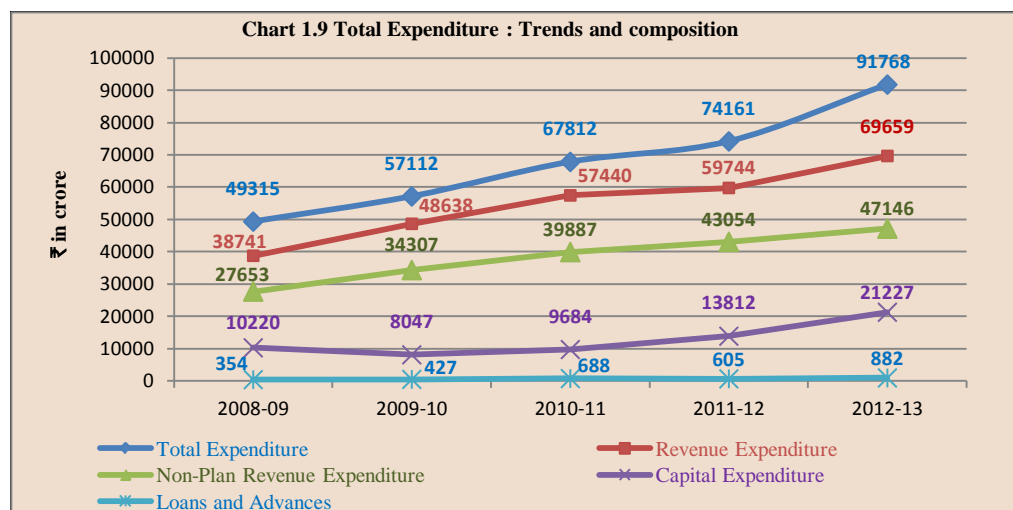
*The receipt under Suspense and Miscellaneous has reduced as the receipts under Major head 8670 Cheques and bills have been shown as net in the Finance Accounts. The receipts under various Major heads are as follows –

Major head	(₹ in lakh) Receipts
8658 Suspense Account	-4,678.51
8670 Cheques and Bills	81,840.26
8674 Security Deposits made by Government	0.04
8680 Misc. Government Accounts	0.00
Total	77,161.75

budgetary constraints in raising public expenditure financed by deficit or borrowings. It is, therefore, important to ensure that the ongoing fiscal correction and consolidation process at the State level is not at the cost of expenditure, especially the expenditure directed towards the State's working as a welfare state.

1.6.1 Growth and Composition of Expenditure

Chart 1.9 presents the trends in total expenditure over a period of five years (2008-09 to 2012-13) and its composition both in terms of 'economic classification' and 'expenditure by activities' is depicted in Tables 1.15 and 1.16 respectively.



The total expenditure during 2012-13 increased by 23.74 per cent over the previous year mainly due to 53.69 per cent increase in capital expenditure. The revenue expenditure grew at 16.59 per cent during the current year instead of four per cent in previous year. The growth of revenue expenditure during current year was mainly on account of 34.27 per cent growth in plan revenue expenditure. The revenue expenditure stood at 76 per cent of the total expenditure, of which 68 per cent was the Non-Plan component.

Table 1.15: Total Expenditure- Trends of Share of its components

(Figures in per cent)

	2008-09	2009-10	2010-11	2011-12	2012-13
Revenue Expenditure	78.56	85.16	84.70	80.56	75.91
Capital Expenditure	20.72	14.09	14.28	18.62	23.13
Loans and Advances	0.72	0.75	1.01	0.82	0.96

The share of revenue expenditure in total expenditure declined from 80.56 per cent in 2011-12 to 75.91 per cent in 2012-13 mainly on account of high growth in capital expenditure during 2012-13.

The capital expenditure during 2012-13 increased significantly by 53.69 per cent over the previous year thus resulting in increase of its share to 23.13 per cent of the total expenditure. The sharp increase in capital expenditure was due to increased expenditure on Major Irrigation (₹ 1,836 crore), Urban Development (₹ 666 crore), Road and Bridges (₹ 655 crore) and Minor Irrigation (₹ 384 crore).

Table 1.16: Total Expenditure- Trends by activities*(Share in per cent)*

	2008-09	2009-10	2010-11	2011-12	2012-13
General Services	27.30	29.98	29.62	29.72	27.07
Social Services	34.37	37.90	38.91	37.56	38.81
Economic Services	37.27	31.19	30.19	31.64	32.98
Loans and Advances	0.72	0.75	1.01	0.82	0.96
Grants-in-aid	0.34	0.18	0.27	0.26	0.18

The movement of relative share of these components indicates that the share of General Services remained static from 2009-10 to 2011-12 and decreased during 2012-13. During 2012-13, the marginal increase in share of Social Services from 37.56 per cent to 38.81 per cent and of Economic Services from 31.64 per cent to 32.98 per cent resulted in increase in development expenditure as a whole.

1.6.2 Revenue Expenditure

Revenue expenditure is incurred to maintain the current level of services. The overall revenue expenditure, its rate of growth and ratio of revenue expenditure to GSDP are indicated in **Table 1.17**.

Table 1.17: Trends of Revenue Expenditure relative to GSDP

	2008-09	2009-10	2010-11	2011-12	2012-13
Revenue Receipts (RR) (₹in crore)	38,676	41,672	52,364	62,959	75,229
Rate of growth of RR (<i>per cent</i>)	8.37	7.75	25.66	20.23	19.49
Revenue Expenditure (RE) (₹in crore)	38,741	48,638	57,440	59,744	69,659
Rate of growth of RE (<i>per cent</i>)	15.51	25.55	18.10	4.01	16.59
RE/ GSDP Ratio (<i>per cent</i>)	10.53	11.28	10.83	9.77	9.99

Source: Finance accounts of Government of Gujarat

Revenue expenditure continuously increased from ₹ 38,741 crore in 2008-09 to ₹ 69,659 crore in 2012-13. However, the growth rate fluctuated widely from 25.55 per cent in 2009-10 to 4.01 per cent in 2011-12.

The increase in revenue expenditure during 2012-13 was mainly due to more expenditure on Urban Development (₹ 1,646 crore), General Education (₹ 1,256 crore), Pension and Other Retirement Benefits (₹ 1,053 crore) and Housing (₹ 951 crore). Revenue expenditure during 2012-13 decreased on Water Supply and Sanitation (₹ 471 crore), Appropriation for reduction of avoidance of Debts (₹ 300 crore), Special Programme for Rural Development (₹ 129 crore) and Road and Transport (₹ 103 crore).

1.6.3 Committed Expenditure

The committed expenditure of the State Government on revenue account mainly consists of interest payments, expenditure on salaries and wages, pensions and subsidies. **Table 1.18** and **Chart 1.10** present the trends in the expenditure on these components during 2008-2013.

Table 1.18: Components of Expenditure

(₹ in crore)

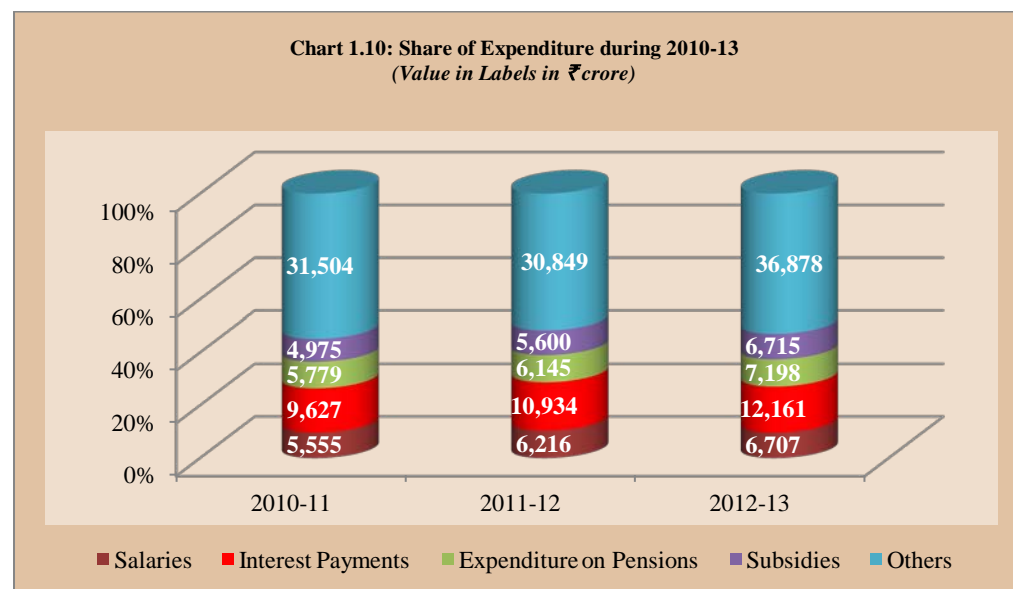
Components of Expenditure	2008-09	2009-10	2010-11	2011-12	2012-13	
					BE	Actuals
Salaries, of which	3,189	4,760	5,555	6,216	6,682 (8.80) @	6,707
Non-Plan Head	2,764	4,014	4,563	4,900		5,174
Plan Head*	425	746	992	1,316		1,533
Interest Payments	7,884	8,590	9,627	10,934	12,464	12,161
	(20.38)	(20.61)	(18.38)	(17.37)	(16.42)	(16.17)
Expenditure on Pensions	2,963	4,513	5,779	6,145	6,243	7,198
	(7.66)	(10.83)	(11.04)	(9.76)	(8.22)	(9.57)
Subsidies	3,983	4,653	4,975	5,600	4,072	6,715
	(10.30)	(11.17)	(9.50)	(8.89)	(5.36)	(8.93)
Total expenditure on Salaries, Interest Payments, Pensions and Subsidies	18,019	22,516	25,936	28,895	29,461	32,781
	(46.59)	(54.03)	(49.53)	(45.89)	(38.81)	(43.57)
Other components	20,722	26,122	31,504	30,849	42,827	36,878
	(53.58)	(62.68)	(60.16)	(49.00)	(56.42)	(49.02)
Total Revenue Expenditure	38,741	48,638	57,440	59,744	72,288	69,659
Total Revenue Receipts	38,676	41,672	52,364	62,959	75,903	75,229

*Plan head includes Salaries and Wages under Centrally Sponsored Schemes.

@ The bifurcation in Non-Plan and Plan is not available for BE.

Figures in parentheses indicate percentage of Revenue Receipts.

Source: Finance Accounts for the years 2008-09 to 2012-13 of the State Government



1.6.3.1 Expenditure on Salaries

In 2012-13, the expenditure on salaries increased by 7.90 per cent over the previous year. As a percentage of the revenue receipts, the expenditure on salaries decreased from 9.87 per cent in 2011-12 to 8.92 per cent in 2012-13. The expenditure on salaries under the Non-Plan head increased from ₹ 2,764 crore in 2008-09 to ₹ 5,174 crore in 2012-13 mainly due to implementation of the recommendations of the Sixth Pay Commission. The

expenditure on salaries showed marked increase in the Home Department (₹ 202 crore) and Health and Family Welfare Department (₹ 95 crore) during 2012-13.

1.6.3.2 Interest Payments

Interest payments increased steadily from ₹ 7,884 crore in 2008-09 to ₹ 12,161 crore in 2012-13. Interest payments, however, increased by 11.22 *per cent* over the previous year. The increase was mainly due to more payment of interest on market loans (₹ 1,396 crore) than that in the previous year. The share of interest payment on market borrowings and special securities issued to NSSF was 43 *per cent* and 38 *per cent* respectively. However, interest payments as a percentage of revenue receipts as well as revenue expenditure declined from 20.38 *per cent* to 16.17 *per cent* and 20.35 *per cent* to 17.46 *per cent* during 2008-09 to 2012-13 respectively.

1.6.3.3 Pension Payments

The actual expenditure on pension was 15.29 *per cent* higher than the budget estimates of the Government. The estimated yearly pension liabilities were prepared on the basis of trend growth rates instead of actuarial basis. The expenditure on Pension during current year increased by ₹ 1,053 crore (17.14 *per cent*) over previous year, mainly on account of increase in payment of Superannuation and Retirement Allowance along with Gratuities.

In its disclosure in compliance of Gujarat Fiscal Responsibility Act, 2005 the Government estimated the pension payment as percentage of Revenue Receipts to 8.24 *per cent*, however, it stood much higher at 9.75 *per cent*.

1.6.3.4 Migration to New Pension Scheme

The State Government has introduced the New Defined Contribution Pension Scheme (NPS) with effect from 1 April 2005. The State Government signed (January 2009) agreements with the NPS trust for the fund management of the Scheme and adopted (May 2009) the central architecture designed for this scheme. However, the fund for 2005-06 was transferred in April 2012 and funds for 2006-07 and 2007-08 were transferred in June 2012. Interest was paid at the rate of 8 *per cent* until the fund was transferred to NPS trust. The interest paid on this scheme increased to ₹ 31.11 crore in 2012-13 from ₹ 25.35 crore in 2011-12. The Government contributed ₹ 152.50 crore as matching contribution in 2012-13 as compared to ₹ 99.88 crore in 2011-12.

1.6.3.5 Expenditure on Subsidies

The expenditure on subsidies increased by 68.59 *per cent* from ₹ 3,983 crore in 2008-09 to ₹ 6,715 crore in 2012-13. The expenditure on subsidies increased during the current year by 19.91 *per cent* over the previous year. The subsidy in the Power Sector increased to ₹ 3,820 crore in the current year when compared to ₹ 3,238 crore in the previous year, registering a growth of 17.97 *per cent*. The subsidy for the Power Sector against total subsidy was 56.89 *per cent* in the current year. The food and related subsidy increased by 16.57 *per cent* from ₹ 181 crore (2011-12) to ₹ 211 crore (2012-13).

1.6.4 Financial Assistance by the State Government to local bodies and other institutions

The quantum of assistance provided by way of grants and loans to local bodies and others during the current year relative to the previous years is presented in **Table 1.19**.

Table 1.19: Financial Assistance to Local Bodies etc.

(₹ in crore)

Financial Assistance to Institutions	2008-09	2009-10	2010-11	2011-12	2012-13
Panchayati Raj Institutions (PRIs)	5,926.51	8,526.14	7,039.32	13,087.87	14,464.38
Urban Local Bodies	1,496.21	4,000.48	10,258.27	3,619.49	3,100.74
Public sector Undertakings	1,205.26	638.11	-----	119.69	4.05
Autonomous Bodies	2,625.12	5,410.85	8,574.68	1,626.18	644.45
Others	1,359.73	1,849.81	-----	9,489.01	12,910.99
Total	12,612.83	20,425.39	25,872.27	27,942.24	31,124.61
Assistance as percentage of Revenue Expenditure	32.56	41.99	45.04	46.77	44.68

Source: Finance Accounts for the years 2008-09 to 2011-12 of the State Government

Financial assistance to local bodies and other institutions increased from ₹ 12,613 crore in 2008-09 to ₹ 31,225 crore in 2012-13 which included payment of grants-in-aid to Municipal Corporations/Municipalities on account of abolition of octroi in November 2006. As a percentage of the revenue expenditure, it increased from 32.56 per cent in 2008-09 to 44.68 per cent in 2012-13.

1.7 Quality of Expenditure

The availability of better social and physical infrastructure in the State generally reflects the quality of its expenditure. The improvement in the quality of expenditure basically involves three aspects, viz. adequacy of the expenditure, efficiency of expenditure use and its effectiveness.

1.7.1 Adequacy of Public Expenditure

The expenditure responsibilities relating to the social sector and the economic infrastructure assigned to the State Governments are largely State subjects. Enhancing human development levels requires the States to step up their expenditure on key social services like education, health etc. Low fiscal priority (ratio of expenditure under a category to aggregate expenditure) is attached to a particular sector, if it is below the respective national average. **Table 1.20** depicts the trend in revenue expenditure indicating the percentage of expenditure on developmental and non-developmental activities and **Table 1.21** depicts Share of Revenue and Capital Expenditure in Plan and Non Plan Expenditure during 2008-09 to 2012-13.

Table 1.20: Percentage of expenditure on developmental and non-developmental activities

Components of Revenue Expenditure (RE)	2008-09	2009-10	2010-11	2011-12	2012-13
Development Revenue Expenditure (DRE) (₹ in crore)	25,188	31,598	37,414	38,064	45,368
Share of DRE in RE (in percent)	65.02	64.97	65.14	63.71	65.13
a. Non-Development Revenue Expenditure (NDRE) (₹ in crore)	13,553	17,040	20,026	21,680	24,291
Share of NDRE in RE (in percent)	34.98	35.03	34.86	36.29	34.87
Total Revenue Expenditure (₹ in crore)	38,741	48,638	57,440	59,744	69,659

Source: Finance accounts of Government of Gujarat

Table 1.21: Share of revenue and capital Expenditure in plan and non plan expenditure (₹ in crore)

	2008-09	2009-10	2010-11	2011-12	2012-13
Revenue Expenditure	38,741	48,638	57,440	59,744	69,659
Plan Revenue Expenditure	11,088	14,331	17,553	16,690	22,513
Non-Plan Revenue Expenditure	27,653	34,307	39,887	43,054	47,146
Capital Expenditure	10,220	8,047	9,684	13,812	21,227
Plan Capital Expenditure	10,200	8,026	9,662	13,608	21,151
Non-Plan Capital Expenditure	20	21	22	204	76
Total Expenditure	49,315	57,112	67,812	74,161	91,768
Percentage of Total Expenditure					
Plan Revenue Expenditure	22.48	25.09	25.88	22.51	24.53
Non-Plan Revenue Expenditure	56.07	60.07	58.82	58.05	51.37
Capital Expenditure (Plan and Non-Plan)	20.72	14.09	14.28	18.62	23.13

Source: Finance accounts of Government of Gujarat

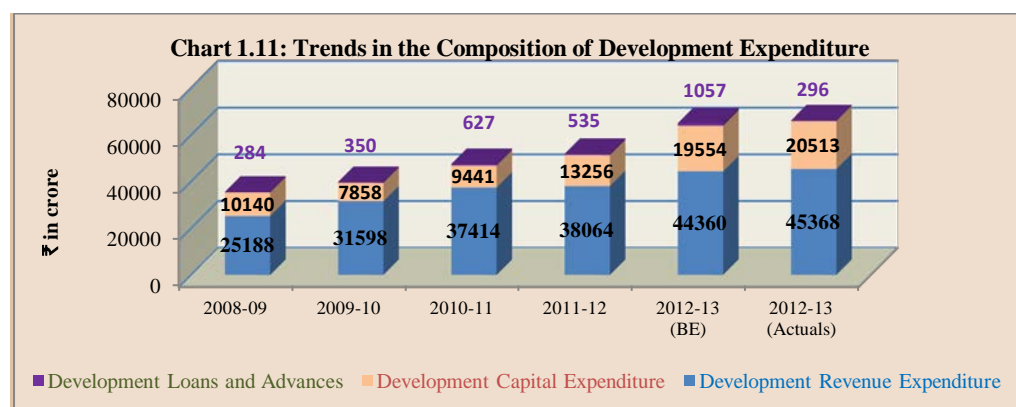
The Plan Revenue Expenditure (PRE) has shown consistent increase over the period 2008-09 to 2012-13 except for a decrease during 2011-12. The Non Plan Revenue Expenditure (NPRE) has shown consistent increase over the period 2008-09 to 2012-13. The Plan Capital Expenditure has shown consistent increase over the period 2008-09 to 2012-13 except for a decrease during 2009-10.

The increase in PRE during 2012-13 over previous year was mainly due to increased expenditure on Integrated Development of Small and Medium Town (₹ 1,540 crore) and Rural Housing (₹ 958 crore) over the previous year. The increase in NPRE during 2012-13 was mainly due to increased expenditure on interest payment (₹ 1,277 crore), Pension and other Retirement benefits (₹ 1,053 crore) and General Education (₹ 1,043 crore). The increase in Plan Capital Expenditure during 2012-13 over previous year mainly due to increased expenditure on Major Irrigation (₹ 1,836 crore), Water Supply and Sanitation (₹ 812 crore) and Urban Development (₹ 666 crore).

1.7.2 Efficiency of Expenditure Use

In view of the importance of public expenditure on development heads from the point of view of social and economic development, it is important for the State Governments to take appropriate expenditure rationalisation measures

and lay emphasis on provision of core public and merit goods⁵. Apart from improving the allocation towards development expenditure⁶, particularly in view of the fiscal space being created on account of decline in debt servicing in recent years, the efficiency of expenditure use is also reflected by the ratio of capital expenditure to total expenditure (and/or GSDP) and the proportion of revenue expenditure on operation and maintenance of the existing social and economic services. The higher the ratio of these components to the total expenditure (and/or GSDP), the better would be the quality of expenditure. **Chart 1.11** presents the trends in development expenditure relative to the aggregate expenditure *vis-à-vis* budget estimates during the current year i.e. 2012-13. **Table 1.22** provides the details of capital expenditure and the components of revenue expenditure under selected social and economic services.



Development expenditure of the State comprises revenue and capital expenditure including loans and advances on socio-economic services. The development expenditure increased from ₹ 35,612 crore in 2008-09 to ₹ 66,177 crore in 2012-13. As a percentage of the total expenditure, the total development expenditure of the State decreased from 72.21 per cent in 2008-09 to 72.11 per cent in 2012-13. The capital expenditure component increased from ₹ 10,140 crore in 2008-09 to ₹ 20,513 crore in 2012-13. The percentage of development capital expenditure to the aggregate expenditure during the current year, i.e. 2012-13 was 22.35 per cent whereas the revenue expenditure component was 49.44 per cent. The percentage of Development Loans and Advances to aggregate expenditure decreased from 0.72 per cent in 2011-12 to 0.32 per cent in 2012-13.

Table 1.22: Efficiency of Expenditure under selected Social and Economic Services
(in per cent)

Social/Economic Infrastructure	2011-12		2012-13	
	Share of CE to TE	In RE, the share of Salaries	Share of CE to TE	In RE, the share of Salaries
Social Services (SS) (absolute figures- ₹ in crore)	3,306	-	6,083	-

⁵ See glossary

⁶ The aggregate expenditure data segregated into development and non-development expenditure. All expenditure relating to Revenue Account, Capital Outlay and Loans and Advances is categorised into social services, economic services and general services. Broadly, the expenditure on social and economic services constitutes development expenditure, while expenditure on general services is treated as non-development expenditure.

Social/Economic Infrastructure	2011-12		2012-13	
	Share of CE to TE	In RE, the share of Salaries	Share of CE to TE	In RE, the share of Salaries
Education	6.41	4.32	6.72	4.64
Health and Family Welfare	20.16	36.38	27.21	31.65
Water Supply, Sanitation, Housing and Urban Development	22.06	0.81	28.66	0.62
Total (SS)	11.86	8.22	17.08	7.50
Economic Services (ES) (absolute figures- ₹ in crore)	9,950	-	14,430	-
Agriculture & Allied Activities	18.97	16.37	14.98	12.85
Irrigation and Flood Control	83.21	38.10	86.97	28.13
Power & Energy	20.36	1.16	25.48	1.03
Transport	33.24	1.13	41.74	1.02
Total (ES)	41.49	7.96	47.67	6.62
Total (SS+ES)	25.56	8.17	31.14	7.19

Expenditure on Social Services

Capital expenditure on the Social Services increased by 84 *per cent* in absolute terms from ₹ 3,306 crore in 2011-12 to ₹ 6,083 crore in 2012-13. The share of Capital expenditure to the total expenditure under Social Services grew from 11.86 *per cent* to 17.08 *per cent*.

In the selected components of the Social Services, the share of Capital expenditure increased in 2012-13 over previous year. In Health and Family Welfare, the capital expenditure increased mainly on Hospitals and Dispensaries in urban areas and Primary Health Centres in rural areas during current year. In Water Supply, Sanitation, Housing and Urban Development, the Capital expenditure increased on account of various activities for State Capital Development and Capital Contribution in Metro-link Express for Gandhinagar and Ahmedabad (MEGA) Company Limited during 2012-13. The capital contribution for MEGA increased by ₹ 450 crore from ₹ 50 crore during 2011-12 to ₹ 500 crore in 2012-13.

The share of salaries in revenue expenditure under Social Services decreased from 8.22 *per cent* in 2011-12 to 7.50 *per cent* in 2012-13.

Expenditure on Economic Services

Capital expenditure on Economic Services increased from ₹ 9,950 crore in 2011-12 to ₹ 14,430 crore in 2012-13, registering a growth of 45 *per cent*. The share of capital expenditure to total expenditure under Economic Services increased from 41.49 *per cent* in 2011-12 to 47.67 *per cent* in 2012-13. In Agriculture and Allied activities, the capital expenditure during current year was almost as the previous year. Capital expenditure on major, medium and minor irrigation projects increased during current year by 57,37 and 60 *per cent* respectively. In power and energy, capital expenditure increased mainly due to investment in Gujarat Urja Vikas Nigam Limited.

The share of salaries in revenue expenditure under Economic Services decreased from 7.96 *per cent* to 6.62 *per cent*, mainly on account of decrease in the share of salaries under Irrigation and Flood Control (38.10 *per cent* to

28.13 per cent) and under Agricultural and Allied activities (16.37 per cent to 12.85 per cent).

1.8 Financial Analysis of Government Expenditure and Investments

In the post-FRBM framework, the State is expected to keep its fiscal deficit (and borrowings) not only at low levels but also meet its capital expenditure/investment (including loans and advances) requirements. In addition, in a transition to complete dependence on market-based resources, the State Government needs to initiate measures to earn adequate returns on its investments, recover its cost of borrowed funds rather than bearing the same on its budget in the form of implicit subsidies and take requisite steps to infuse transparency in financial operations. This section presents a broad financial analysis of investments and other capital expenditure undertaken by the Government during the current year *vis-à-vis* the previous years.

1.8.1 Financial Results of Irrigation Projects

At the end of March 2013, ₹ 2,097.70 crore was spent on 33 Major and Medium Irrigation Projects which were treated as completed. The revenue realized from these irrigation projects during the year was ₹ 289.39 crore, against which the maintenance expenditure was ₹ 146.82 crore, indicating a revenue surplus of ₹ 142.57 crore. When compared with the investment on these projects, the return was 6.80 per cent.

1.8.2 Incomplete projects

At the end of March 2013, there were 41 incomplete capital works involving ₹ 3,096 crore. The Department-wise details of incomplete works (each costing ₹ 10 crore or more) are given in **Table 1.23**.

Table 1.23: Department-wise Profile of Incomplete Works

(₹ in crore)

Department	Number of incomplete works	Initial Budgeted Cost	Cumulative actual expenditure as on 31 March 2013
Road and Buildings	37	4,162.13	2,787.96
Narmada, Water Resources, Water Supply and Kalpsar	4	181.00	308.14
Total	41	4,343.13	3,096.10

Source : Finance Accounts of the State Government

It can be seen from the **Table 1.23** that Road and Buildings Department could incur expenditure to the extent of 67 per cent on the 37 incomplete projects. In Narmada Water Resources, Water Supply and Kalpsar Department even after excess expenditure of 70 per cent over the initial budgeted expenditure, four projects remained incomplete.

1.8.3 Investment and returns

As of 31 March 2013, Government had invested ₹ 47,171 crore in Statutory Corporations, Government Companies, Rural Banks, Joint Stock Companies, Co-operative Institutions and Local Bodies (**Table 1.24**). The average return on the investments was 0.24 per cent in the last five years while the Government paid an average 7.66 per cent as interest on its borrowings during 2008-09 to 2012-13. Continued use of borrowed funds to fund investments

which do not have sufficient returns will lead to an unsustainable financial position. The Government may ensure proper justification for investment in high cost funds.

Table 1.24: Return on Investment

Investment/Return/Cost of Borrowings	2008-09	2009-10	2010-11	2011-12	2012-13
Investment at the end of the year ⁷ (₹ in crore)	26,542	31,051	34,496	39,179	47,171
Return (₹ in crore)	49.40	76.72	114.43	128.93	54.31
Return (per cent)	0.19	0.25	0.33	0.33	0.12
Average rate of interest on Government borrowings (per cent)	7.80	7.64	7.56	7.63	7.66
Difference between average interest rate on Government borrowings and rate of return (per cent)	7.61	7.39	7.23	7.30	7.54

Source: Finance Accounts of the State Government

During the period of last five years, 2008-09 to 2012-13, the State Government's Investments had increased by ₹ 20,629 crore. During 2012-13, Government invested ₹ 29 crore in Statutory Corporations, ₹ 7,929 crore in Government Companies and ₹ 34 crore in Co-operative institutions and local bodies. Out of ₹ 7,992 crore invested during 2012-13, more than 60 per cent (₹ 4,828 crore) was invested in the Sardar Sarovar Narmada Nigam Limited, a State-owned Company, which is executing the multi-purpose Narmada Project.

Investment in PPP projects

Public Private Partnership (PPP) is formed by the government agencies and bodies usually to promote and develop infrastructure facilities.

The status of Public Private Partnership (PPP) projects in infrastructure sector at various stages is presented in **Table 1.25** below:

Table 1.25: Status of Public Private Partnership (PPP) projects in infrastructure sector at various stages (As on 31 March, 2013)

Sl. No.	Sector /Project Name	Projects completed		Projects under Implementation		Projects in Pipeline	
		No.	Estimated Cost (₹ crore)	No.	Estimated Cost (₹ crore)	No.	Estimated Cost (₹ crore)
1	Road Sector	18	2,081	6	2,925	8	2,900
2	Urban Infrastructure	49	994	6	1,408	24	1,827
3	Water Sector	-	0	0	0	6	5,853
4	Power Sector	4	7,600	0	0	11	22,245
5	Ports	34	21,977	25	8,886	28	8,069
6	Any Other Sector	6	895	4	1,416	12	4,930
	Total	111	33,547	41	14,635	89	45,824

Source: Gujarat Industries Development Board

The **Table 1.25** shows that out of 241 PPP projects of ₹ 94,006 crore in infrastructure sector in Gujarat, 111 projects of ₹ 33,547 crore were completed at the end of 2012-13. The maximum number of projects and investment was in Ports sector. The review of Gujarat Maritime Board (GMB) revealed that no accounting framework and auditing arrangement was prescribed under

⁷ Includes all investments to Government companies, Statutory Corporations, Rural Banks, Joint Stock Companies, Co-operatives Institutions and Local Bodies.

concessional agreement entered with concessionaire i.e. Gujarat Adani Port Limited (GAPL) for the development of private port at Mundra.

1.8.4 Loans and Advances by State Government

In addition to investments in Co-operative institutions, Corporations and Companies, Government has also been providing loans and advances to many of these institutions/organisations. **Table 1.26** presents the position of loans and advances as on 31 March 2013 and interest receipts *vis-à-vis* interest payments during the last three years.

Table 1.26: Average Interest Received on Loans Advanced by the State Government
(₹ in crore)

Quantum of Loans/Interest Receipts/ Cost of Borrowings	2010-11	2011-12	2012-13
Opening Balance	4,905	5,310	5,750
Amount advanced during the year	688	605	882
Amount repaid during the year	283	165	47
Closing Balance	5,310	5,750	6,585
<i>Of which</i> Outstanding balance for which terms and conditions have been settled	5,000	5,599	6,585 ⁸
Net addition	405	440	835
Interest Receipts	92	192	26
Interest receipts as percentage of outstanding Loans and Advances	1.73	3.34	0.39
Interest payments as percentage of outstanding fiscal liabilities of the State Government.	7.10	7.25	7.30
Difference between interest receipts and interest payments (per cent)	(-)5.37	(-) 3.91	(-) 6.91

Source: Finance Accounts of the State Government

The total amount of outstanding loans and advances increased from ₹ 4,905 crore in 2010-11 to ₹ 5,750 crore in 2012-13. The loans advanced during the year increased by ₹ 277 crore over the previous year. Out of the loans advanced and disbursed during the year, ₹ 21.07 crore was under Social Services, ₹ 804.50 crore under Economic Services and ₹ 56.68 crore as personal advances to Government and local self-government employees. The loans advanced under Social Services were used for the welfare of Scheduled Caste, Scheduled Tribes and other Backward Classes. Major portion (73 per cent) of the loan advanced for Economic Services went to road transport.

1.8.5 Cash Balances and Investment of Cash Balances

Details of cash balances and investments made by the State Government during the year are shown in **Table 1.27**.

Table 1.27: Cash Balances and Investment of Cash Balances

(₹ in crore)		
Cash Balances and Investment of Cash balances	Opening balance on 1/4/2012	Closing balance on 31/3/2013
(a) General Cash Balance -	13,019.04	13,075.67
Cash in Treasuries	0.00*	0.00*
Deposits with Reserve Bank	-182.08	-286.17

⁸ This does not include loans of ₹ 35 lakh given to Gujarat Industrial Investment Corporation Limited and ₹ 10 lakh to Gujarat Small Industries Corporation Limited.

* ₹ 48,000.

Cash Balances and Investment of Cash balances	Opening balance on 1/4/2012	Closing balance on 31/3/2013
Remittances in transit - Local	4.19	4.19
Total	(-) 177.89	(-) 281.98
Investments held in Cash Balance investment account	13,196.93	13,357.65
Total (a)	13,019.04	13,075.67
(b) Other Cash Balances and Investments	5,612.79	5,614.22
Cash with departmental officers viz Public Works Department Officers, Forest Department Officers, District Collectors	25.02	26.45
Permanent advances for contingent expenditure with departmental officers	0.27	0.27
Investment of earmarked funds	5,587.50	5,587.50
Total (b)	5,612.79	5,614.22
Grand total (a)+ (b)	18,631.83	18,689.89

Source: Finance Accounts of the State Government

Due to large surplus cash balance, during 2012-13, the State Government did not avail of any Ways and Means Advance from the RBI for maintenance of its minimum cash balance.

Outstanding balances under the head ‘Cheques and Bills’.

The Major Head ‘8670 – Cheques and Bills’ is an intermediary account head for initial record of transactions which are to be cleared eventually. The outstanding balance under the Major Head ‘8670 –Cheques and Bills’ represents the amount of unencashed cheques. Due to increase in Treasury cheques the outstanding balance under the Major Head ‘8670 –Cheques and Bills’ increased by ₹ 818.40 crore over the previous year and cheques of ₹ 2,667.35 crore remained unencashed as on 31 March, 2013. This led to overstatement of expenditure depicted in the Accounts.

Fresh borrowings by State with large cash balance.

The ThFC has also suggested that there should be a directed effort by States with large balances towards utilising their existing cash balances before resorting to fresh borrowings. Further, it has suggested to consider utilising their surplus cash balances for lump sum repayment of market borrowings raised for debt swap during the period 2002-05, which was likely to become due during the next few years. The Reserve Bank of India also has reiterated the fact and advised the States to manage their cash balance more efficiently. The investment held in ‘Cash Balance Investment Account’ by the State Government stood at ₹ 13,197 crore and ₹ 13,358 crore at the end of 2011-12 and 2012-13 respectively. The high level of investment held in ‘Cash Balance Investment Account’ at the end of these financial years indicates that there is need for better cash management. The State Government should adopt the policy of need based borrowing and maintain basic minimum surplus cash balance.

1.9 Assets and Liabilities

1.9.1 Growth and composition of Assets and Liabilities

In the existing Government accounting system, comprehensive accounting of the fixed assets like land and buildings owned by the Government is not done.

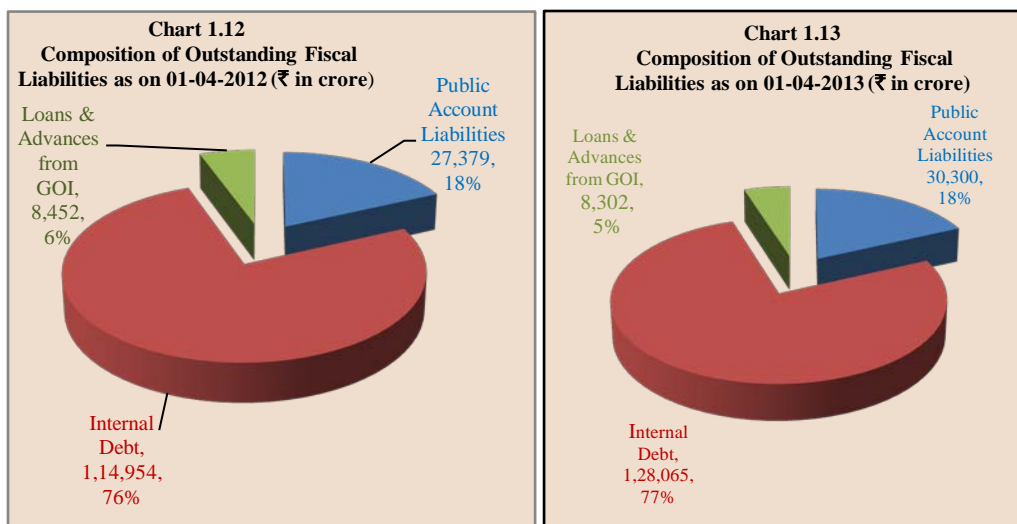
However, the Government accounts do capture the financial liabilities of the Government and the assets created out of the expenditure incurred. **Appendix 1.3** gives an abstract of such liabilities and the assets as on 31 March 2013 compared with the corresponding position on 31 March 2012. While the liabilities in this Appendix consist mainly of internal borrowings, loans and advances from the GoI, receipts from the Public Account and Reserve Funds, the assets comprise mainly the capital outlay and loans and advances given by the State Government and cash balances.

As per the Statement under the Gujarat Fiscal Responsibility Act, 2005 the State Government liabilities comprise the following components –

- (i) Special Securities issued to the National Small Savings Fund
- (ii) Loans and Advances from Central Government
- (iii) Market Loans
- (iv) Loans from Financial Institutions/Banks
- (v) Ways and Means Advances/Overdraft from RBI
- (vi) Small Savings, Provident Fund of Government Employees etc.
- (vii) Pension Liabilities
- (viii) Reserve Fund/Deposits & Provident Fund of other employees
- (ix) Other Liabilities.

1.9.2 Fiscal Liabilities

The composition of fiscal liabilities during the current year *vis-à-vis* the previous year is as presented in the **Charts 1.12** and **1.13** below:



The outstanding fiscal liabilities have shown a steady increase over the years from ₹ 1,05,652 crore at the end of 2008-09 to ₹ 1,66,667 crore as at the end of 2012-13. The fiscal liabilities increased by 11 per cent in 2012-13 over the previous year mainly due increase of Internal Debt and Public Account Liabilities. The fiscal liabilities at the end of 2008-09 represented 273 per cent of the revenue receipts during the year 2008-09, which reduced to 222 per cent at the end of 2012-13. The outstanding debt to GSDP ratio at 23.90 per cent in the current year was in line with the projected ratio of 28.10 per cent in the fiscal consolidation road map of ThFC.

The trends in outstanding fiscal liabilities of the State are presented in **Appendix 1.4**.

1.9.3 Transactions under Reserve fund

There were 16 Reserve Funds earmarked for specific purposes, out of which eight funds were active. The total accumulated balance as at the 31 March 2013 in these funds was ₹ 8,906.81 crore (₹ 8,754.16 crore in operational funds and ₹ 152.65 crore in non-operational funds). However, the investment out of these funds was only ₹ 5,587.16 crore. Action is to be initiated for examination for the required continuation or otherwise of these funds.

1.9.4 Contingent liabilities

Status of Guarantees

Guarantees are liabilities contingent on the Consolidated Fund of the State in cases of defaults by borrowers for whom the guarantees have been extended. As per Statement 9 of the Finance Accounts, the maximum amount for which guarantees were given by the State and outstanding guarantees for the last five years is given in **Table 1.28**.

Table 1.28: Guarantees given by the Government of Gujarat

Guarantees	(₹ in crore)				
	2008-09	2009-10	2010-11	2011-12	2012-13
Ceiling limit on Government guarantees under Gujarat State Guarantees Act, 1963	20,000	20,000	20,000	20,000	20,000
Maximum amount guaranteed	10,562	10,202	10,382	10,387	10,525
Outstanding amount of guarantees	10,027	9,667	8,661	7,449	6,195
Percentage of outstanding amount of guarantees to total revenue receipts	25.93	23.20	16.54	11.83	8.23

Source: Finance Accounts of the State Government

The Gujarat Fiscal Responsibility Act, 2005 prescribed to cap outstanding guarantees within the limit (₹ 20,000 crore) as prescribed in the Gujarat State Guarantees Act, 1963. During the year, the State Government extended guarantees of ₹ 70.46 crore, ₹ 60 crore and ₹ 8 crore to Gujarat Scheduled Caste Economic Development Corporation, Gujarat Tribal Development Corporation and Gujarat Thakor and Koli Vikas Nigam Limited. Out of total outstanding guarantees of ₹ 6,195 crore, 45 per cent (₹ 2,783 crore) were towards Sardar Sarovar Narmada Nigam Limited and nearly 22 per cent (₹ 1,355 crore) were towards Gujarat Urja Vikas Nigam Limited. The outstanding guarantees (₹ 6,195 crore) accounted for 8.23 per cent of the revenue receipts (₹ 75,229 crore) of the State Government and were well within the ceiling limit prescribed under the Fiscal Responsibility Act.

The Gujarat State Guarantees Redemption Fund set up in February 2006 to take care of any contingent liabilities arising out of State Government Guarantees, had a balance of ₹ 1,322 crore at the end of 2012-13. During the year the Government did not contribute any amount towards the Guarantee Redemption Fund. During the year, the Government received ₹ 33 crore as guarantee fees against ₹ 47 crore received in the previous year.

1.10 Debt Management

1.10.1 Debt Sustainability

Apart from the magnitude of debt of the State Government, it is important to analyse the various indicators that determine the debt sustainability⁹ of the State. This section assesses the sustainability of debt of the State Government in terms of debt stabilisation¹⁰; sufficiency of non-debt receipts¹¹; net availability of borrowed funds¹² and burden of interest payments (measured by interest payments to revenue receipts ratio). **Table 1.29** analyses the debt sustainability of the State according to these indicators for the period from 2008-09 to 2012-13.

Table 1.29: Debt Sustainability: Indicators and Trends

	(₹ in crore)				
Indicators of Debt Sustainability	2008-09	2009-10	2010-11	2011-12	2012-13
Debt Stabilisation (Quantum Spread +/- Primary Deficit/Surplus)	7,226	3,558	12,945	10,353	5,199
Sufficiency of Non-debt Receipts (Resource Gap)	(-)5,667	(-)4,716	80	4,047	(-)5,465
Net Availability of Borrowed Funds	1,317	4,874	6,912	3,921	3,722
Burden of Interest Payments (IP/RR Ratio)	0.20	0.21	0.18	0.17	0.16

Source: Finance Accounts of the State Government

The quantum spread together with primary deficit has been positive from 2008-09 to 2012-13, which indicates that the debt was sustainable. The persistent negative resource gap is indicative of the non-sustainability of debt while the positive resource gap strengthens the capacity of the State to sustain the debt. The positive resource gap for two consecutive years turned into negative in 2012-13. It happened mainly on account of 26 *per cent* increase in primary expenditure against 19 *per cent* increase in non-debt receipts during current year. The net funds available from borrowed fund after providing for the interest and repayment declined from ₹ 6,912 crore in 2010-11 to ₹ 3,722 crore in 2012-13.

As per TwFC recommendations, the ratio of interest payments to revenue receipts should decline by 2009-10 to 15 *per cent*. The percentage gross interest payments on the total liabilities to the revenue receipts of the State for the period 2008-09 to 2012-13 had declined from 20 *per cent* to 16 *per cent*. Thus, the State Government could not achieve this target during the period 2008-13.

1.10.2 Study on Open Market Borrowings of Government:

(I) Introduction:

A study on Open Market Borrowings (OMB) for the period from 2008-09 to 2012-13 of the Government of Gujarat was conducted to draw linkage between market borrowings and capital formation, and there from study the regular revenue generation within the State for servicing of debts and

⁹ See glossary

¹⁰ See glossary

¹¹ See glossary

¹² See glossary

repayment of principal. Records relating to OMB of the State Government as maintained in the Finance Department (FD) were reviewed during May to September 2013.

The observations from the study are detailed in the following paragraphs:

There are two types of borrowings resorted to by the State Government, viz.

- a. Specific purpose borrowings like borrowings from National Bank for Agriculture and Rural Development (NABARD) for Rural Infrastructure Development Fund (RIDF) works and borrowings from Government of India (GoI) for externally aided projects, which have one to one correspondence with specific plan schemes.
- b. General purpose borrowings like market borrowings and small saving loans that do not have one to one correspondence with any particular scheme, but are used to finance budget in general and annual plan in particular.

The market borrowings are part of total borrowings that are used to finance annual plan. The position of the plan size of the Government, balance from current revenue (BCR)¹³ and the net open market borrowings are brought out in the **Table 1.30** below:

Table 1.30: Annual Plan, BCR and Net OMB

	(₹ in crore)				
	2008-09	2009-10	2010-11	2011-12	2012-13
Annual Plan size	21,000	23,500	30,000	38,000	51,000
BCR	30,408	5,173	9,610	16,022	22,867
Net open market borrowings	7,618	7,908	10,443	15,083	12,846
Percentage of net OMB to Annual Plan Size	36.28	33.65	34.81	39.69	25.18

It could be seen from above table that financing of the annual plan by market borrowing ranged between 39.69 per cent and 25.18 per cent during the period from 2008-09 to 2012-13.

The availability of the OMB after repayment of loan and interest thereon is as shown in the **Table 1.31** below:

Table-1.31: Details of OMB for the period from 2008-09 to 2012-13

	(₹ in crore)				
Particulars	2008-09	2009-10	2010-11	2011-12	2012-13
Annual Plan size	21,000	23,500	30,000	38,000	51,000
Gross borrowing ceiling limit fixed by GoI	10,345	10,103	13,851	16,323	20,201
Total outstanding OMB	28,020	35,928	46,371	61,454	74,300
GoI consent for OMB under Article 293(3)	8,534	9,000	11,500	16,500	18,600
OMB raised	8,534	9,000	11,500	16,500	15,546
Repayment of OMB made during the year	916	1,092	1,057	1,417	2,700
Net OMB raised	7,618	7,908	10,443	15,083	12,846
Interest paid on OMB	1,618	2,270	2,896	3,890	5,286
Interest payment as a percentage of OMB raised	18.96	25.22	25.18	23.58	34.00

¹³ BCR – Revenue Receipts minus all Plan Grants and Non-Plan Revenue Expenditure excluding expenditure recorded under the major head 2048 – Appropriation for reduction of Avoidance of debt.

Particulars	2008-09	2009-10	2010-11	2011-12	2012-13
Net availability of OMB	6,000	5,638	7,547	11,193	7,560
Percentage of net availability of OMB to OMB raised	70.31	62.64	65.63	67.84	48.63

It is seen from the above that

- The OMB increased continuously from ₹ 8,534 crore in 2008-09 to ₹ 16,500 crore during 2011-12. It decreased to ₹ 15,546 crore in 2012-13.
- The repayments of OMB increased from ₹ 916 crore in 2008-09 to ₹ 2,700 crore in 2012-13 except for a marginal decrease during 2009-10.
- The interest paid on market loans also increased from ₹ 1,618 crore in 2008-09 to ₹ 5,286 crore in 2012-13. As a result, the net availability of borrowed funds has decreased from 70.31 per cent to 48.63 per cent leading to decrease in availability for development expenditure.

(II) Overall position

The Ministry of Finance, GoI fixes the annual borrowing ceilings for States as per the fiscal deficit targets recommended by the Finance Commission. Debt sustainability refers to the sufficiency of liquid assets to meet current/committed obligations. Debt sustainability indicators of the State are as shown in **Table 1.32** below:

Table-1.32: Debt sustainability indicators

Description	₹ in crore				
	2008-09	2009-10	2010-11	2011-12	2012-13
Total liabilities	1,05,652	1,19,117	1,35,656	1,50,785	1,66,667
Total public debt	87,010	98,010	1,10,874	1,23,406	1,36,367
Total outstanding OMB	28,020	35,928	46,371	61,454	74,300
GSDP ¹⁴	3,67,912	4,31,262	5,30,430	6,11,767	6,97,298
Percentage of OMB to total liabilities	26.52	30.16	34.18	40.76	44.58
Percentage of OMB to total public debt	32.20	36.66	41.82	49.80	54.49
OMB raised as a percentage of Fiscal deficit	82	59	76	150	94
Weighted average interest rate on OMB-financial year wise	7.24	8.15	8.36	8.80	8.85
Interest paid on OMB ¹⁵	1,617	2,269	2,896	3,890	5,286
Gross interest payments on total liabilities	7,884	8,590	9,627	10,934	12,161
Primary surplus(+)/deficit(-)	(-) 2,554	(-) 6,563	(-) 5,447	(-) 93	(-) 4,331
Revenue surplus(+)/deficit (-)	(-) 66	(-) 6,966	(-) 5,076	(+) 3,215	(+) 5,570
Fiscal deficit ¹⁶	(-)10,438	(-)15,153	(-)15,074	(-)11,027	(-) 16,492
Total public debt to GSDP (in per cent)	23.65	22.73	20.90	20.17	19.56
Outstanding guarantees	10,027	9,667	8,661	7,449	6,195

Source: Finance Accounts, Budget Publication No. 30 of GoG

During the period 2008-09 to 2012-13 the total liabilities, total public debt and total outstanding OMB of the State increased by 57.55 per cent, 56.73 per cent

¹⁴ The figures were on provisional estimates for the years 2009-10 and 2010-11, were on quick and advance estimates for the years 2011-12 and 2012-13 respectively.

¹⁵ Major Head 2049-sub major head 01- minor head 101 of the Finance Account.

¹⁶ The excess of total disbursements from the Consolidated Fund of the State (excluding repayment of debt) over total receipt into the Fund (excluding the debt receipts), during a financial year.

and 165.17 *per cent* respectively. The total outstanding OMB at the end of year increased from ₹ 28,020 crore (2008-09) to ₹ 74,300 crore (2012-13). The percentage of OMB to total liabilities increased from 26.52 to 44.58 and the percentage of OMB to total public debt increased from 32.20 to 54.49 during 2008-09 to 2012-13.

The OMB raised as a percentage of fiscal deficits ranged between 59 *per cent* in 2009-10 and 150 *per cent* in 2011-12, with an average of 90 *per cent* during five year period. Thus, during 2008-13 a substantial portion of fiscal deficit¹⁷ of ₹ 68,184 crore was financed through OMB of ₹ 61,080 crore.

Investment in Intermediary Treasury Bills

The surplus cash balance of the State Government maintained with the RBI stood invested in the 14 or 91 days Treasury Bills (TBs). The yields on these TBs were low; in respect of 14 day bills, it was between four to five *per cent* per annum and in respect of 91 day bills it was about 8.6 *per cent* per annum. The position of market borrowings (net) and the average investment of the surplus cash of the State Government with the RBI in the TBs during the year 2009-13 are indicated in **Table 1.33** below:

Table 1.33: Net OMB, Average investments in TBs and Closing Cash Balance

Year	2008-09	2009-10	2010-11	2011-12	2012-13
Net Open Market borrowings	7,618	7,908	10,443	15,083	12,846
Average investments in TBs	4,625	1,143	1,285	2,229	3,203
Interest earned	387	320	311	434	753
Closing Cash Balance	8,466	6,598	9,246	13,197	13,358

Source: Finance Accounts

Maturity Profile of Market Borrowings

The maturity profile of borrowings showed that upto 2011-12, all issues of the State Development Loans (SDL) had a maturity of 10 years. A significant shift in this trend took place in 2012-13 when the State Government went for development loans of four year tenure also. The tenure profile of market loan raised during 2008-09 to 2012-13 is given in **Table 1.34**.

Table-1.34: Tenure Profile of OMB

Tenure and details of the loans raised under OMB	Amount of loan raised under OMB				
	2008-09	2009-10	2010-11	2011-12	2012-13
< One Year	-----	-----	-----	-----	-----
1-3 years	-----	-----	-----	-----	-----
4-7 years	-----	-----	-----	-----	3,146
> 7 years	8,534	9,000	11,500	16,500	12,400
Loans raised during the year	8,534	9,000	11,500	16,500	15,546
Outstanding loans as on 31 March	28,020	35,928	46,371	61,454	74,300
Percentage of loans raised during the year to total outstanding loans	30.46	25.05	24.80	26.85	20.92

Source: Finance Accounts

During the period 2008-09 to 2012-13, the State Government raised loans of ₹ 57,934 crore with maturity tenure of ten years and also raised loans of ₹ 3,146 crore with maturity tenure of four years under OMB in 2012-13. The

¹⁷ 2008-09 (-) ₹ 10,438 crore, 2009-10 (-) ₹ 15,153 crore, 2010-11 (-) ₹ 15,074 crore, 2011-12 (-) ₹ 11,027 crore and 2012-13 (-) ₹ 16,492 crore.

reason reported for raising funds with lesser tenure of four years was to reduce the burden of repayment at later years i.e., after 2016-17. As such, the weighted average maturity tenure of loans of OMB raised during 2012-13 was 8.8 years¹⁸.

Interest payment profile

The weighted average rate of interest on the various components of public debt raised during the period 2008-09 to 2012-13 is given in **Table 1.35**.

Table-1.35: Weighted average rate of interest on the components of Public Debt

Sl. no	Components	Weighted average rate of interest				
		2008-09	2009-10	2010-11	2011-12	2012-13
1	NSSF Loans	9.50	9.50	9.50	9.50	9.50
2	GoI Loans	7.26	0.79	0.74	0.74	0.72
3	OMB	7.24	8.15	8.36	8.80	8.85
4	Institutional loans	6.51	6.50	6.50	6.50	7.41
5	Public debt	7.33	8.36	8.52	8.62	8.67

Source: Budget Publication No. 30 of GoG

The weighted average rate of interest of NSSF was the highest and GoI loans was the least. However, based on the recommendations of the TwFC, the GoI stopped giving plan loans from 2005-06 to the States, except in case of on-going externally aided projects. Hence, relevance of GoI loans in public debt had become less. Between the OMB and loans from financial institutions, the weighted average interest rate of loans from financial institutions was lesser.

Position of Market Borrowings

The position of the opening balances, borrowings/repayments together with closing balances, of open market loans is brought out in the **Table 1.36** below:

Table 1.36: Position of Market Borrowings

(₹ in crore)

Year	Opening Balance	Borrowings	Repayments	Closing Balance	Net increase (in per cent)
2008-09	20,402	8,534	916	28,020	37.34
2009-10	28,020	9,000	1,092	35,928	28.22
2010-11	35,928	11,500	1,057	46,371	29.07
2011-12	46,731	16,500	1,417	61,454	32.51
2012-13	61,454	15,546	2,700	74,300	20.90
Total	1,92,535	61,080	7,182	2,46,073	

Source: Finance Accounts

The weighted average maturity of markets loans raised and their maturity during the next ten years is shown in **Tables 1.37** and **1.38**.

Table 1.37: Weighted Average Maturity of Market Loans raised during the year

(₹ in crore)

Year	Market loans raised	Weighted Average Maturity (Years)	Outstanding Market Loans
2008-09	8,534	10	28,020
2009-10	9,000	10	35,928
2010-11	11,500	10	46,371
2011-12	16,500	10	61,454
2012-13	15,546	8.8	74,300

Source: Finance Accounts

¹⁸ $(₹ 3,146.25 * 4 \text{ years}) + (₹ 12,400 * 10) / (₹ 3,146.25 + ₹ 12,400)$

Maturity profile of loans under OMB

The redemption profile of loans of OMB is on an increasing trend up to 2021-22. It can be seen from the **Table-1.38**, reckoning outstanding loans of OMB of ₹ 74,300 crore as on 31 March 2013, the State Government will be liable to redeem only three *per cent* of outstanding loans of OMB in 2013-14. However, in 2021-22, the State Government will be liable to redeem 22 *per cent* of outstanding market loans. The details of redemption profile up to 2022-23 are as under:

Table 1.38 Maturity trends of market loans:

Maturity year	Maturity amount (₹ in crore)	As a percentage of total Market Loans
2013-14	2,534	3.41
2014-15	1,505	2.03
2015-16	1,695	2.28
2016-17	3,857	5.19
2017-18	6,775	9.12
2018-19	8,534	11.49
2019-20	9,000	12.11
2020-21	11,500	15.48
2021-22	16,500	22.21
2022-23	12,400	16.68
Total	74,300	100

Source: Finance Accounts

It can be seen from the **Table 1.38**, the percentage of maturity amount to market loans would be highest during the year 2021-22 (22.21 *per cent*) and lowest during the year 2014-15 (2.03 *per cent*).

The maturity trends of market loans show that the Government would be able to repay 22 *per cent* of loans during first five years. So, there will be more burden of repayment (78 *per cent*) in the long term. The Government should consider investing adequately in sinking funds to meet the needs of debt servicing from 2018-19 onwards.

Interest rate profile

The interest rate profile of open market borrowings during the period 2008-13 is detailed in the **Table 1.39**.

Table 1.39: Interest rate profile

Rate of interest (in <i>per cent</i>)	Market loans raised during the year				
	2008-09	2009-10	2010-11	2011-12	2012-13
6-6.99	1,875	-----	-----	-----	-----
7-7.99	4,999	2,500	-----	-----	-----
8-8.99	1,660	6,500	11,500	14,000	12,546
9-9.99	-----	-----	-----	2,500	3,000
10-10.99	-----	-----	-----	-----	-----
Total	8,534	9,000	11,500	16,500	15,546
Average interest rate (in <i>per cent</i>)	7.24	8.15	8.36	8.80	8.85

Source: Finance Accounts

The weighted average interest rate ranged between 7.24 *per cent* and 8.85 *per cent* during 2008-09 and 2012-13 respectively. Thus, the interest rates were

hardening. Further, during 2008-09, 2010-11 and 2012-13 there was variation between the budget estimates and actual interest payments relating to loans of OMB as shown in the **Table 1.40**.

Table-1.40: Budgeted and Actual interest payment on market borrowings
(₹ in crore)

Year	Budget Estimates for interest payment	Actual Interest payment	Excess (+)/Savings (-)
2008-09	1,732.09	1,617.54	(-) 114.55
2009-10	2,280.13	2,269.71	(-) 10.42
2010-11	3,138.43	2,896.13	(-) 242.30
2011-12	3,876.53	3,890.14	(+) 13.61
2012-13	5,621.36	5,285.72	(-) 335.64

Source: Budget Estimates and Finance Accounts

It was observed that though actual OMB was ₹ 8,534 crore against the budgeted OMB of ₹ 7,990 crore during 2008-09, the savings of interest against the budget provision was attributable to reduction in average interest rate on OMB over previous year (i.e. from 8.18 *per cent* in 2007-08 to 7.24 *per cent* in 2008-09). However, during the year 2010-11 and 2012-13 the savings of interest against the budget provision was attributable to reduction in actual OMB against the budgeted amount.

(III) Application of borrowings

The borrowed funds (secured and unsecured) are to be applied for capital expenses for creation of durable assets of material character.

Development Loans

The State Government raises development loans from two source, *viz.*, under OMB and loans from financial institutions. The loans from financial institutions are project based and part of overall borrowings programme. Loans are to be raised for the purpose of formation of productive assets. The details of total developmental loans raised and application of the same to developmental capital expenditure during the period 2008-2013 is as **Table 1.41**.

Table-1.41: Developmental expenditure incurred against total developmental loans raised

Period	Market loans	Loans from financial institutions/ bank	Total developmental loans raised	Developmental capital expenditure	Excess/short (-) raising of developmental loans over developmental expenditure
1	2	3	4=2+3	5	6=4-5
2008-09	8,534	874	9,408	10,424	(-) 1,016
2009-10	9,000	991	9,991	8,208	1,783
2010-11	11,500	886	12,386	10,068	2,318
2011-12	16,500	780	17,280	13,791	3,489
2012-13	15,546	1,700	17,246	21,338	(-) 4,092
Total	61,080	5,231	66,311	63,829	2,482

Source: Finance Accounts

It was observed that during 2008-09 to 2012-13, 92 *per cent* of developmental loans were raised through OMB. The State Government raised the developmental loans in excess of total development expenditure by

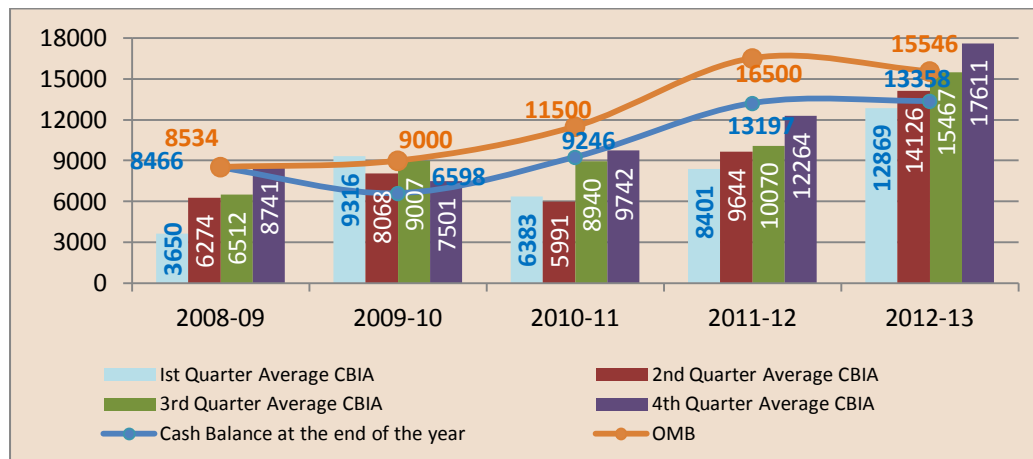
₹ 2,482 crore. The raising of excess developmental loans would lead to imprudent application of funds to meet non-developmental expenditure, thereby defeating the very purpose of raising the loan to finance the formation of productive assets.

Fund Management

Trend Analysis of Cash Balance Investment Account

There is a steady increase in the closing balance of Cash Balance Investment Account (CBIA) as on 31 March of each year. It increased from ₹ 8,466 crore as on 31 March 2009 to ₹ 13,358 crore as on 31 March 2013 except for a reduction during 2009-10. The increase in the closing balance is shown in **Chart 1.14**.

Chart 1.14: Trend Analysis of Cash Balance Investment Account



Investment of cash surplus

The State Government deploys its cash surplus in short term investments and accounts the same under Cash Balance Investment. Further, various Departments, Boards and State PSUs have the option of depositing their surplus funds with Gujarat State Financial Services Limited (GSFS)¹⁹. The details of public debt, short term deployment of funds by the State Government and deposits by various other agencies with GSFS are as **Table 1.42**.

Table-1.42: Details of investment of cash surplus and public debt

		(₹ in crore)				
	Year	2008-09	2009-10	2010-11	2011-12	2012-13
1	Public debt raised during the year	10,306	14,245	16,681	17,535	19,497
2	Cash Balance Investment as on 31 March	8,466	6,598	9,246	13,197	13,358
3	Cash Balance Investment as a percentage of public debt	82	46	55	75	68
4	Deposit with GSFS as on 31 March	7,122	10,012	9,804	13,640	16,169
5	Deposit with GSFS as on 31st March of every year as a percentage of public debt	69	70	59	78	83

Source: Finance Accounts and GSFS

¹⁹ A Gujarat state PSU gives avenues to Government, Government institutions for earning return on their surplus funds by accepting their surplus funds under inter-corporate deposits (ICDs) and liquid deposit schemes (LDS) of GSFS.

The liquidity of the State improved significantly resulting in significant increase in cash balance investment over the period of five years. The cash balance investment to the public debt was highest at 82 *per cent* (2008-09) and was lowest at 46 *per cent* (2009-10). Further, the substantial deposits of surplus funds held with GSFS by various departments, Boards and State PSUs indicated that the funds were not utilised for the purpose for which it was raised. Deposit with GSFS as on 31 March of every year as a percentage of public debt ranged between 59 *per cent* in 2010-11 to 83 *per cent* in 2012-13. It was also observed that in order to finance the deficit, the State Government raised public debt at the weighted average interest rate of 7.33 *per cent* to 8.67 *per cent* during period 2008-09 to 2012-13. Whereas, its huge surplus funds kept in GSFS deposits earned interest at the rate of 7.22 *per cent* to 7.46 *per cent* which was lesser to the interest rate of public debt by 0.05 *per cent* to 5.57 *per cent* during the above period.

Thus, the State Government had not factored in surplus cash available with it including the funds parked in GSFS while finalising the borrowing plans to finance fiscal deficit.

The FD replied (January 2014) that GSFS is a non-banking finance company which accepts deposits from State PSUs/ Boards and the balance lying in GSFS is not necessarily the money given to State agency out of State budget. More than 50 *per cent* of the funds lying in GSFS are investments of internal accruals of State PSUs and Boards and it is not available to State Government. Therefore GSFS funds need not be factored in while finalising the borrowing plan of the State Government.

The reply is not acceptable as it is observed that sanctions releasing grant in aid to PSUs/Boards were issued with instructions that such funds be parked with GSFS till they are spent. The GSFS in turn earns interest on these parked funds by investing the same. The GSFS in return pays interest to PSUs/Boards on these funds. The Government funds are thus used for earning interest both by the GSFS and PSUs/Boards which need to be factored in while finalising the borrowing plan of the State Government.

Poor performance of recovery of loans

The State Government gives loans and advances to various organisations²⁰. To keep a track of these, the FD (July 2010) instructed the concerned administrative departments to furnish data relating to loans given to various organisations, so as to monitor the payment of loans, repayments and adherence to the terms and condition of the said loans by the organisations. The details of the loans given, the repayments received and the outstanding balances are given in **Table 1.43**.

Table-1.43: Recovery of loans

	(₹ in crore)				
	2008-09	2009-10	2010-11	2011-12	2012-13
Opening Balance	4,456	4,629	4,905	5,310	5,750
Amount advanced during the year	354	427	688	605	882
Total	4,810	5,056	5,593	5,915	6,632
Repayment	181	151	283	165	47

²⁰ includes Government companies, Statutory Corporations, Rural Banks, Joint Stock Companies and Co-operatives

	2008-09	2009-10	2010-11	2011-12	2012-13
Closing Balance	4,629	4,905	5,310	5,750	6,585
Repayment as percentage of opening balance	4.06	3.26	5.77	3.11	0.82
Net Increase /Decrease	173	276	405	440	835

Source: Finance Accounts

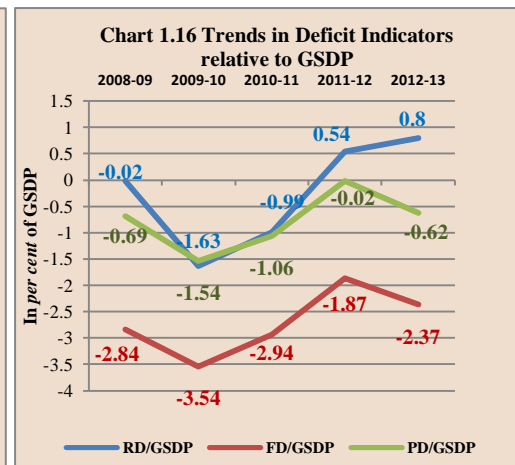
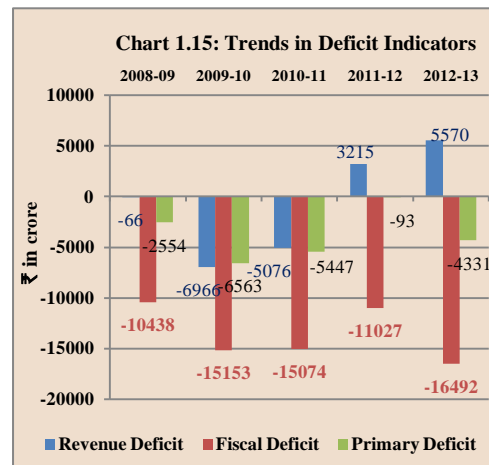
The repayment of loan and advances made by the organisations was very low as compared to the amount of loans and advances given by the State Government. Further, in the absence of the details of year wise amounts due for repayment, arrears of instalments, dues outstanding for more than three years from these organisations, it would be difficult to conclude that the outstanding dues as on 31 March 2013 represent the performing assets of the State Government.

1.11 Fiscal Imbalances

Three key fiscal parameters - revenue, fiscal and primary deficits - indicate the extent of overall fiscal imbalances in the finances of the State Government during a specified period. The deficit in the Government accounts represents the gap between its receipts and expenditure. The nature of deficit is an indicator of the prudence of fiscal management of the Government. Further, the ways in which the deficits are financed and the resources raised are applied are important pointers to its fiscal health. This section presents trends, nature, magnitude and the manner of financing these deficits and also the assessment of actual levels of revenue and fiscal deficits *vis-à-vis* the targets set under the FRBM Act/Rules for the financial year 2012-13.

1.11.1 Trends in Deficits

Charts 1.15 and 1.16 present the trends in deficit indicators over the period 2008-09 to 2012-13.



The revenue deficit of ₹ 66 crore in 2008-09 soared to ₹ 6,966 crore in 2009-10 and turned into revenue surplus of ₹ 3,215 crore in 2011-12 and ₹ 5,570 crore in 2012-13. The increase in the revenue surplus during the current year was mainly on account of an increase of ₹ 12,270 crore (19.49 per cent) in revenue receipts against an increase of only ₹ 9,915 crore (16.59 per cent) in revenue expenditure over the previous year.

The fiscal deficit increased from ₹ 10,438 crore in 2008-09 to ₹ 16,492 crore in 2012-13. The increase in fiscal deficit during current year was mainly on

account of increase of ₹ 7,415 crore (53.69 per cent) in capital expenditure. An increase of ₹ 5,465 crore in fiscal deficit together with an increase of ₹ 1,227 crore in interest payment resulted in increase in primary deficit from ₹ 93 crore in 2011-12 to ₹ 4,331 crore in 2012-13.

1.11.2 Components of Fiscal Deficit and its Financing Pattern

The financing pattern of the fiscal deficit has undergone a compositional shift as reflected in **Table 1.44**.

Table 1.44: Components of Fiscal Deficit and its Financing Pattern

		(₹ in crore)				
Particulars		2008-09	2009-10	2010-11	2011-12	2012-13
Decomposition of Fiscal Deficit		10,438	15,153	15,074	11,027	16,492
1	Revenue Deficit(-)/(+)Surplus	(-)66	(-)6,966	(-)5,076	(+)3,215	(+) 5,570
2	Net Capital Expenditure	10,199	7,910	9,593	13,802	21,227
3	Net Loans and Advances	173	277	405	440	835
Financing Pattern of Fiscal Deficit*						
1	Market Borrowings(net)	7,618	8,404	10,725	15,083	12,846
2	Loans from GoI	(-)332	(-)478	(-)464	(-)932	(-) 150
3	Special Securities issued to NSSF	(-)74	3,099	2,628	(-)1,864	(-) 561
4	Loans from Financial Institutions	490	(-)26	(-)25	(-)28	826
5	Small Savings, PF etc	320	1,018	705	558	589
6	Deposits and Advances	798	1,178	2,533	1,358	1844
7	Suspense and Miscellaneous	663	(-)582	1,311	(-)56	656
8	Remittances	(-)22	190	78	(-)47	(-) 69
9	Reserve Funds	582	768	998	680	488
10	Contingency Fund	(-)24	(-)13	47	(-) 80	81
Total		10,019	13,558	18,536	14,672	16,550
Increase/Decrease(-) in Cash Balance		(-)419	(-)1595	(+)3,462	(+)3,645	(+) 58

*All these figures are net of disbursements/outflows during the year
Source: Finance Accounts of the State Government

The revenue surplus of ₹ 3,215 crore of 2011-12 increased to ₹ 5,570 crore in 2012-13. The fiscal deficit of ₹ 16,492 crore in 2012-13 was mainly met out from net borrowing of ₹ 12,846 crore. In 2012-13 there was substantial decrease in market borrowings and its share in financing the fiscal deficit decreased to 78 per cent. Hence, there was increased share in loans from financial institutions and deposits and advances over the previous year.

1.11.3 Quality of Deficit/Surplus

The ratio of revenue deficit to fiscal deficit and the decomposition of primary deficit into primary revenue deficit and capital expenditure (including loans and advances) would indicate the quality of deficit in the State's finances. The ratios of revenue deficit to fiscal deficit indicate the extent to which borrowed funds were used for current consumption. Further, persistently high ratios of revenue deficit to fiscal deficit also indicate that the asset base of the State was continuously shrinking and a part of the borrowings (fiscal liabilities) did not have any asset backup. The bifurcation of the primary deficit (**Table 1.45**) would indicate the extent to which the deficit had been on account of increase in capital expenditure, which may have been desirable to improve the productive capacity of the State's economy.

Table 1.45: Primary deficit/Surplus – Bifurcation of factors

(₹ in crore)							
Year	Non-debt Receipts	Primary Revenue Expenditure	Capital Expenditure	Loans and Advances	Primary Expenditure	Primary Revenue Deficit(-) /surplus (+)	Primary Deficit (-) /Surplus (+)
1	2	3	4	5	6 (3+4+5)	7 (2-3)	8 (2-6)
2008-09	38,877	30,857	10,220	354	41,431	(+)8,020	(-)2,554
2009-10	41,959	40,048	8,047	427	48,522	(+)1,911	(-)6,563
2010-11	52,738	47,813	9,684	688	58,185	(+)4,925	(-)5,447
2011-12	63,134	48,810	13,812	605	63,227	(+)14,324	(-)93
2012-13	75,276	57,498	21,227	882	79,607	(+) 17,778	(-) 4,331

Source: Finance Accounts of the State Government

During the period 2008-09 to 2012-13, primary expenditure increased from ₹ 41,431 crore to ₹ 79,607 crore (increase of 92 *per cent*) against the increase of non-debt receipt from ₹ 38,877 crore to ₹ 75,276 crore (increase 94 *per cent*). During the period 2008-09 to 2012-13, the non-debt receipts did not cover the primary expenditure resulting in primary deficit in each year. In 2012-13, all component of primary expenditure increased over the previous year without commensurate increase in non-debt receipts resulting in increase of ₹ 4,238 crore in primary deficit.

1.12 Conclusion and Recommendations

The share of the State's own tax revenue in revenue receipts increased continuously from 61 *per cent* in 2008-09 to 72 *per cent* in 2012-13. The share of non-tax revenue to revenue receipts decreased substantially from 13 *per cent* in 2008-09 to eight *per cent* in 2012-13.

The State Government may consider mobilizing additional resources through non- tax sources by rationalising the user charges.

The revenue expenditure of the State increased by 80 *per cent* from ₹ 38,741 crore in 2008-09 to ₹ 69,659 crore in 2012-13 though its share in total expenditure declined from 78.56 *per cent* in 2008-09 to 75.91 *per cent* in 2012-13 indicating improvement in quality of expenditure. However, the understatement of revenue expenditure of ₹ 1,089 crore on account of depicting grants-in-aid and subsidy as capital expenditure also contributed to decline of revenue expenditure.

The Government of India transferred ₹ 4,820 crore to State Implementing Agencies during the year against ₹ 4,393 crore transferred during the previous year. Direct transfer of funds from the Union Government to the State Implementing Agencies carry the risk of insufficient control on the part of Union as well as State Government and consequential improper utilisation of funds by these agencies.

The outstanding fiscal liabilities have shown a steady increase over the years, from ₹ 1,05,652 crore at the end of 2008-09 to ₹ 1,66,667 crore at the end of 2012-13. The composition of fiscal liabilities changed with respect to the previous year with Internal Debt accounting for 77 *per cent*, Public Account Liabilities for 18 *per cent* and Loans and Advances from GoI for 5 *per cent* at the end of March 2013. The increasing fiscal liabilities accompanied with negligible rate of return on government investment and inadequate cost

recovery on loan advanced might lead to a situation of unsustainable debt situation in the medium to long run, unless suitable measures are initiated to mobilise additional resources through tax and non-tax revenues.